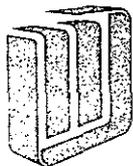


FEB 11 1992



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*David E. Duff*  
EXECUTIVE SECRETARY

January 23, 1992

To: Board of Directors (Finance and Insurance Committee--Action)  
(Water Problems Committee--Action)  
(Organization and Personnel Committee--Action)

From: General Manager

Subject: Resolutions of Intent to Impose a Water Standby Charge and/or  
an Availability of Service Charge, Authority to Execute an  
Agreement for Consulting Services and Appropriation of Funds to  
Pay Expenses

Report

In January 1992 your Board was presented with a schedule for the implementation of a water standby charge on real property parcels within the service area of the District. The schedule calls for adoption, at your February meeting, of a resolution of intention to impose such a charge. This action will be followed by the publication and mailing of notices to all affected property owners, and the holding of public hearings at which interested parties may present their views regarding the proposed charges. After the hearings the Board may give final approval to the parcel charge, which would then be included on the property tax bills for fiscal year 1992-93.

This letter presents three alternative methods of collecting \$50 million in firm revenue. Revenue Alternative A would implement both a water standby parcel charge and an availability of service charge. Attachments 1 and 2 to this letter are forms of resolution to accomplish Revenue Alternative A. The first would declare the Board's intention to consider and act upon, at the May 1992 meeting, the General Manager's recommendation to impose a \$5 parcel charge on real property within the service area. This would collect a total of approximately \$25 million. The second resolution would declare the Board's intention to impose availability of service charges directly on the member agencies. The services charges would be allocated based on deliveries of District water to each member agency during the last 4 years, and would collect a total of approximately \$25 million.

Revenue Alternative B would be to implement only the water standby parcel charge. This alternative would require a

\*Two separate Resolutions were modified and combined into one (Resolution 8358)

\$10 parcel charge on real property within the service area. This charge would collect a total of approximately \$50 million. Under this alternative there would be no availability of service charge.

Revenue Alternative C would be to implement only the availability of service charge. This alternative would collect approximately \$50 million through an availability of service charge directly on the member agencies. Under this alternative there would be no water standby parcel charge.

Should your Board decide to implement Revenue Alternative B or Revenue Alternative C the resolutions shown as Attachments 1 and 2 could be easily modified to accomodate either alternative.

By law water standby parcel charges remain in effect for only one year unless the responsible agency reimposes the charge from year to year. At its January meeting the sentiment of the Finance and Insurance Committee seemed to be that the parcel charge should not extend beyond a two year period. In that case, it would not be renewed after fiscal year 1993-94, and consideration could be given at that time to replacing the charge with a connection fee, should the District gain the legal authority to collect such a fee.

Two legal authorities have been identified under which the District may impose the proposed water standby parcel charge. These are Section 134.5 of the MWD Act, which among other things authorizes the District to exercise the water standby charge powers granted under the County Water District Law; and the Uniform Standby Charge Procedures Act (USCPA). Both of these authorities were discussed extensively in the General Counsel's letter to your Board dated October 31, 1991. While neither of these authorities are totally free of uncertainties, on balance the use of the provisions included in the MWD Act seems preferable and is less burdensome in administrative implementation. The complex provisions of the USCPA, enacted in 1988, remain untested at this time and probably will be refined by amendments before becoming a practical and expeditious alternative to more traditional provisions.

A preliminary engineer's report describing the benefits to be wholly or partially funded from proceeds of the water standby parcel charge has been prepared by staff and the

consultant. The report is included as Attachment 3 to this letter. The final report will be available by February 28, 1992.

A form of notification to be mailed to all affected property owners has also been included as Attachment 4. The notification postcard briefly describes the proposed charge, its purpose, and gives the times and places at which the Board intends to hold public hearings.

Section 130 of the MWD Act provides, in essence, that water standby and availability of service charges shall be deemed to be amounts that contribute to the accrual of each member public agency's preferential right to purchase water from the District under Section 135 of the Act. Current preferential rights have been based on cumulative tax and other payments to the District, excluding payments for water, since the late 1920s. In total these payments exceed \$2.2 billion. Since the amount proposed to be collected from water standby and availability of service charges during the next two years is relatively small compared to the total, preferential rights of the member public agencies will not be significantly affected. Table 1, attached, shows a projection of each agency's preferential right, with and without the proposed firm revenue charges, at the end of fiscal year 1992-93. Table 2, attached, shows a projection of each agency's preferential right, with and without the proposed firm revenue charges, at the end of fiscal year 1993-94.

In January 1992, your Board was provided with an estimate of the notification and implementation costs associated with the proposed 1992-93 water standby parcel charge. Those costs were estimated to be approximately \$1.72 million (see Attachment 5). It was also disclosed that staff proposed to enter into an agreement with Reiter-Lowry-Consultants to perform the required services, including printing and mailing of public notices, assisting in the public hearing process, preparation of the real property database and the engineer's report, and other services. This firm is currently under contract to acquire parcel data and prepare revenue models. The existing agreement will expire in February. Because of the highly technical nature of this work, the new agreement is considered exempt from competitive bidding requirements under Administrative Code Section 8103(i).

Adoption of the recommendations in this letter will not require compliance with the California Environmental Quality Act since they are preliminary steps with no inherent

environmental effect. Additionally, the adoption of standby charges and availability of service charges would be exempted from the California Environmental Quality Act by Public Resources Code Section 21080(b)(8) since the standby charges would be for the purpose of obtaining funds for capital projects necessary to maintain service within existing service areas; and the availability of service charges would be for that purpose or for the purposes of meeting operating expenses; purchasing or leasing supplies, equipment or materials; or meeting financial reserve needs and requirements. At such time that your Board adopts water standby charges and/or availability of service charges, it would be required to make a finding that the charges are for these purposes.

Funds to be collected from the proposed water standby charges and/or availability of service charges will be segregated to insure that they are used only for CEQA-exempt purposes.

#### 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, and water standby or availability of service charges, 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).

The Organization and Personnel Committee because of its authority to study, advise and make recommendations with regard to the terms and conditions of employment of all consultants and advisors, pursuant to Administrative Code Section 2471(g).

#### Recommendations

#### **FINANCE AND INSURANCE AND WATER PROBLEMS COMMITTEES FOR ACTION.**

It is recommended that the Board of Directors pursue Revenue Alternative A and adopt two resolutions in the forms shown as Attachments 1 and 2 to this letter, declaring the

Board's intention to consider and act upon, at the May 1992 meeting, the General Manager's recommendation to impose a water standby charge of \$5 per acre for each acre of land, or \$5 for each parcel of land less than an acre, within the District's service area to which water is made available for any purpose by the District, whether the water is actually used or not; and declaring the Board's intention to impose availability of service charges directly upon the member agencies of the District.

**WATER PROBLEMS COMMITTEE FOR ACTION.**

It is recommended that the Board of Directors set the times and places at which public hearings will be held at which interested parties may present their views regarding the proposed water standby and availability of service charges, as specified in Attachments 1 and 2.

**FINANCE AND INSURANCE AND ORGANIZATION AND PERSONNEL COMMITTEES FOR ACTION.**

It is recommended that the Board of Directors authorize the General Manager to execute an agreement with Reiter-Lowry-Consultants to provide services required to implement the water standby parcel charge, and appropriate \$1.72 million from the General Fund to pay the costs of such services.

  
Carl Borenkay

CGP/JWM:lg  
044CGP

Attachments

**ATTACHMENT 1**

**THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA**

**RESOLUTION**

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**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA  
GIVING NOTICE OF INTENTION TO CONSIDER AND  
ACT UPON RECOMMENDATION TO IMPOSE WATER  
STANDBY CHARGES**

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WHEREAS, pursuant to a 1984 legislative grant of authority embodied in Section 134.5 of the Metropolitan Water District Act, the Board of Directors (the "Board") of The Metropolitan Water District of Southern California (the "Metropolitan") may impose from time to time water standby charges within Metropolitan;

WHEREAS, the amount of revenue to be raised by water standby charges shall be as determined by the Board;

WHEREAS, water standby charges may be imposed by Metropolitan against individual parcels within its service area through the exercise of the water standby charge powers specified in the County Water District Law; and

WHEREAS, those powers authorize a district to fix a water standby or availability charge of not to exceed \$10 per acre per year for each acre of land, or \$10 per year for each parcel of land less than an acre within the district to which water is made available for any purpose by the district, whether the water is actually used or not.

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

**Section 1.** That the public interest and necessity requires Metropolitan to develop firm revenue sources, exclusive of ad valorem property taxes, of approximately 50 million dollars for fiscal year 1992-1993; and

**Section 2.** That in order to allocate a reasonable share of the costs of benefits made available by Metropolitan throughout its service area in an equitable manner, approximately 50 percent of such firm revenue, exclusive of ad valorem property taxes, should be raised by water standby charges imposed upon land within Metropolitan's service area to which water is made available by Metropolitan for any purpose, whether the water is actually used or not.

**Section 3.** Notice is hereby given to each member public agency of The Metropolitan Water District of Southern California of the intention of Metropolitan's Board to consider and take action at its regular meeting on May 12, 1992, upon the General Manager's recommendations to impose water standby charges for fiscal year 1992-1993 at a rate of \$5 per acre of land, or \$5 per parcel of land less than an acre, which charges are estimated to raise in total an approximate amount of 25 million dollars.

**Section 4.** The water standby charges currently proposed by the General Manager are based upon the preliminary engineer's report on file with Metropolitan, which will be in final form and available to interested parties on or before February 28, 1992.

**Section 5.** The proposed water standby charges, if imposed, shall be collected on the tax rolls together with the ad valorem property taxes levied by Metropolitan for the payment of pre-1978 voter approved indebtedness.

**Section 6.** The Board will meet in adjourned regular sessions on the dates, and at the times and locations specified in Exhibit A to this resolution, at which interested parties may present their views regarding the proposed water standby charges and the engineer's report. In addition to or in lieu of oral comments at the scheduled hearings, any member of the public may submit written comments, either at a scheduled hearing, or by mailing those comments to be received no later than April 7, 1992, by the Executive Secretary of The Metropolitan Water District of Southern California, at Post Office Box 54153, Los Angeles, California 90054. All comments presented at the hearings or received through the Executive Secretary by April 7, 1992, will be given due consideration by the Board before its final action on the proposed charges.

**Section 7.** The General Manager is hereby directed to have published the dates, times and locations of the adjourned regular sessions of the Board specified in Exhibit A to this resolution and to have written notice of such hearings mailed to each person whose property would be subject to the proposed standby charge, in accordance with applicable law.

**Section 8.** The Executive Secretary is hereby directed to transmit a certified copy of this resolution to the presiding officer of the governing body of each member public agency.

## EXHIBIT A

The Board of Directors of The Metropolitan Water District of Southern California will meet and conduct public hearings to receive public comments on the proposed water standby charges and the engineer's report for fiscal year 1992-1993 on the following dates at the specified times and locations:

Monday, March 30, 1992, at 7:00 p.m. at Poly High School,  
5450 Victoria Avenue, Riverside

Tuesday, March 31, 1992, at 7:00 p.m. at Paramount High School,  
14429 S. Downey Avenue, Paramount

Thursday, April 2, 1992, at 7:00 p.m. at Sunny Hills High School,  
1801 Warburton Way, Fullerton

Monday, April 6, 1992, at 7:00 p.m. at Walter Reed Junior High  
School, 4525 Irvine Avenue, North Hollywood

Tuesday, April 7, 1992, at 7:00 p.m. at Orange Glen High School,  
2200 Glenridge Road, Escondido

Any member of the public may submit written comments, either at one of the scheduled hearings, or by mailing those comments directly to MWD at P. O. Box 54153, Los Angeles, CA 90054, Attention Executive Secretary, for receipt no later than April 7, 1992.

**ATTACHMENT 2**

**THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA**

**RESOLUTION**

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**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA  
GIVING NOTICE OF INTENTION TO IMPOSE  
AVAILABILITY OF SERVICE CHARGES**

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WHEREAS, pursuant to Section 134.5 of the Metropolitan Water District Act, the Board of Directors (the "Board") of The Metropolitan Water District of Southern California (the "District") may impose from time to time availability of service charges within the District;

WHEREAS, the amount of revenue to be raised by the availability of service charges shall be as determined by the Board;

WHEREAS, the availability of service charges may be collected from the member public agencies of the District; and

WHEREAS, allocation of the availability of service charges among member public agencies shall be in accordance with the method established by the Board and factors that may be considered in the allocation process include historical water deliveries by the District.

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

**Section 1.** That the public interest and necessity require the District to develop firm revenue sources, exclusive of ad valorem property taxes, of approximately 50 million dollars for fiscal year 1992-1993; and

**Section 2.** That approximately 50 percent of such firm revenue, exclusive of ad valorem property taxes, should be raised by availability of service charges, to be collected from the District's member public agencies.

**Section 3.** Notice is hereby given to each member public agency of The Metropolitan Water District of Southern California of the intention of the District's Board to take action at its regular meeting on May 12, 1992 to impose upon and collect from the member public agencies of the District availability of service charges for fiscal year 1992-1993 in the total approximate amount of 25 million dollars.

**Section 4.** The availability of service charges to be imposed shall be allocated among the member public agencies in proportion to total acre feet of water deliveries by the District to each member public agency during the four fiscal year period ending June 30, 1991, as more particularly described in Exhibit A to this resolution.

**Section 5.** The availability of service charges shall be due in equal monthly installments on the last business day of the month (as defined in MWD Admin. Code, § 4507(a)(1)), commencing July 31, 1992.

**Section 6.** The Board will meet in an adjourned regular session on Tuesday, April 21, 1992, at 10:00 a.m. in the Board Room at the District's headquarters, at which interested parties may present their views regarding the proposed availability of service charges.

**Section 7.** The Executive Secretary is hereby directed to transmit a certified copy of this resolution to the presiding officer of the governing body of each member public agency.

## EXHIBIT A

## SERVICE CHARGE ALLOCATED ON LAST 4 YEARS WATER DELIVERIES

MEMBER AGENCIES	Acre-feet Purchased From MWD 1988-1991	Percent of Total	Allocation of \$25 Million Service Charge
<b>LOS ANGELES CO.</b>			
Beverly Hills	57,726.3	0.7%	\$164,256
Burbank	88,659.6	1.0%	252,274
Central Basin	562,354.3	6.4%	1,600,137
Compton	18,963.7	0.2%	53,960
Foothill MWD	41,788.3	0.5%	118,905
Glendale	108,162.7	1.2%	307,769
Las Virgenes	90,059.6	1.0%	256,258
Long Beach	191,434.8	2.2%	544,713
Los Angeles	1,161,509.6	13.2%	3,304,989
Pasadena	96,830.7	1.1%	275,525
San Fernando	5,708.0	0.1%	16,242
San Marino	4,058.6	0.0%	11,548
Santa Monica	42,389.8	0.5%	120,617
Three Valleys	282,135.8	3.2%	802,796
Torrance	86,970.6	1.0%	247,468
Upper San Gabriel	247,168.1	2.8%	703,298
West Basin	738,562.2	8.4%	2,101,523
<b>ORANGE CO.</b>			
Anaheim	110,065.1	1.3%	313,182
Coastal	179,356.7	2.0%	510,346
Fullerton	62,258.5	0.7%	177,152
Santa Ana	69,715.3	0.8%	198,370
MWD of Orange Co.	1,065,974.5	12.1%	3,033,151
<b>RIVERSIDE CO.</b>			
Eastern MWD	197,057.0	2.2%	560,711
Western MWD	306,859.3	3.5%	873,145
<b>SAN BERNARDINO CO.</b>			
Chino Basin MWD	202,974.7	2.3%	577,549
<b>SAN DIEGO CO.</b>			
San Diego CWA	2,352,929.1	26.8%	6,695,084
<b>VENTURA CO.</b>			
Calleguas MWD	414,360.3	4.7%	1,179,031
<b>Total</b>	<b>8,786,033.2</b>	<b>100.0%</b>	<b>\$25,000,000</b>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

## DRAFT ENGINEER'S REPORT

## PROPOSED PROGRAM TO LEVY STANDBY CHARGES

January 24, 1992

REPORT PURPOSE

The Metropolitan Water District of Southern California (Metropolitan) has built major capital facilities and has implemented water management programs that provide water supplies and delivery throughout its service area. This report has two purposes: (1) to address the method and basis for levying a standby charge on benefiting properties, and (2) to describe the water supply capital projects, which provide benefits throughout the service area and will be financed in part by the standby charge.

These facilities and programs consist of the State Water Project aqueduct system, a water storage reservoir, water recycling facilities, water conservation projects, and system-wide improvements and rehabilitation. This combination of facilities and programs is an integral part of Metropolitan's strategic plan to maintain dependable water supplies and to insulate the service area from disruptions in water service during droughts and natural emergencies.

The standby charge will pay for a limited portion of these capital projects and programs. The standby charge is calculated to pay for the value of the projects and programs to current land uses. The major source of Metropolitan's revenues are water sales. An additional limited source is ad valorem property taxes used to pay pre-1978 voter approved indebtedness. Major capital projects are financed largely by proceeds of revenue bond issues, which in turn are paid off over future years, principally from water sales revenue.

BACKGROUND

Delivery of water supplies is one of the essential infrastructure services in an industrial economy. Like electrical energy, natural gas, and telecommunications, water is used in every household, and virtually every business and industry in the Southern California economy. Because these services are so ubiquitous in a modern economy, shortages can have widespread and serious consequences.

Southern California is presently experiencing a shortage of dependable water supplies. More than half of the region's water supplies are imported from the Colorado River and California's State Water Project (SWP). Metropolitan is a public agency charged with providing these water supplies, as a supplement to local groundwater and surface water resources, to more than 15 million residents in its 5,200 square mile service area. Metropolitan's service area covers portions of six counties -- Los Angeles, Orange, Ventura, Riverside, San Bernardino, and San Diego. The dependable imported supplies from the Colorado River and SWP are currently inadequate to meet the existing water needs of Metropolitan's service area.

Barring major improvements in Metropolitan's water supply program, water supply reliability in Southern California will continue to decline. Since 1963, when construction of SWP's California Aqueduct began, Southern California's population has grown from about 8 million to more than 15 million; Gross State Product has increased from \$76 billion to nearly \$750 billion annually. After completing the initial SWP facilities in 1972, no major additions have been completed.

With existing SWP facilities, Southern California experienced an 800,000 acre-foot shortage and instituted a conservation program calling for a 30 percent reduction in water deliveries in 1991, the fifth consecutive year of drought. An acre-foot of water is about 326,000 gallons and represents the needs of two average families, in and around the home, for one year. This magnitude of shortage had a one year in twenty likelihood of occurrence in 1991. Absent any capital projects, the likelihood that today's consumers will again experience similar drought conditions and water supply shortages will increase to one year in three by 2000, and two years in five by 2010. Metropolitan's full participation in SWP becomes even more critical in maintaining Southern California's dependable water supplies. In addition, continuation of Metropolitan's investment in water conservation and water recycling facilities is necessary to meet water requirements in the six-county area.

Degradation in the reliability of water supplies not only impacts residential consumers, but is an increasingly significant factor undermining business confidence in the Southern California economy. In fact, recent evidence indicates that reductions in water supply reliability will discourage plant and equipment investment in the state which will translate directly into lost production, reductions in income, and lost jobs.

### METROPOLITAN'S RESPONSE TO WATER SHORTAGES

Metropolitan is continuing its water supply program to maintain the reliability of its water supply and delivery system and to meet the needs of existing consumers and land uses within its service area. This program includes the construction of capital facilities and implementation of water management programs. Capital facilities, representing substantial current expenditure, include the State Water Project aqueduct system, the Domenigoni Reservoir, and water distribution system improvements and rehabilitation. These facilities provide the storage and transmission of water required throughout Metropolitan's service area. The benefits of these capital projects are system-wide as the facilities directly increase water supplies and reliable delivery of water throughout Metropolitan's service area.

Water management programs include Metropolitan's financing program which involves construction of water recycling and conservation projects by local agencies. The water recycling program provides new water supplies. The benefit of the water conservation program is the saving of existing water supplies. This program has assisted in the construction of projects throughout the six-county area and benefits Metropolitan's water users system-wide.

### STATE WATER PROJECT

Financing for the State Water Project (SWP) was authorized by the Burns-Porter Act in 1959. SWP provides water to 20 million people living in the northern, central, and southern portions of California. The initial works included dams, reservoirs, and aqueducts to store water when available and transport the water to the 30 agencies (Contractors) in California that have signed contracts for project deliveries. With its existing facilities, SWP can deliver, on a "firm" basis, 2.3 million acre-feet of water a year to the 30 contractors. However, these agencies have signed contracts for long-term project deliveries in excess of 4 million acre-feet. The State Department of Water Resources (DWR) is currently planning additional facilities to increase entitlement deliveries and water transfers from northern California. Metropolitan has contracted with DWR for deliveries of over 2 million acre-feet of water and pays a proportionate share of SWP's capital debt and operation and maintenance costs to DWR. The proposed standby charge is intended to pay a part of Metropolitan's proportionate share of capital debt for SWP. State project water is distributed to existing consumers in all six counties within Metropolitan's service area.

### DOMENIGONI RESERVOIR

The Domenigoni Reservoir, along with water transfers, comprehensive groundwater management, conservation, and recycling programs already implemented, is needed to ensure reliable water supplies and delivery to Metropolitan's consumers throughout the service area. The reservoir provides 800,000 acre-feet of storage capacity. It would receive water from the Colorado River Aqueduct and SWP and distribute stored water throughout Metropolitan's service area.

Storage within Metropolitan's water system is vital to regulate fluctuating sources of supply and to meet varying customer demands, and to provide assured water service during droughts and earthquakes. The water sources available to Southern California are subject to reduced availability during droughts which may extend over several years, and to direct physical interruption in earthquake emergencies, since both the California Aqueduct and the Colorado River Aqueduct cross major faults before reaching Metropolitan's service area. The reservoir permits Metropolitan to accumulate water from a variety of sources, to be held in storage or scheduled for replenishment delivery to groundwater basins. This stored water provides a reliable reserve against shortages when supply sources are limited during periods of low precipitation or disrupted during natural emergencies. The reservoir also preserves Metropolitan's capability to deliver water during scheduled maintenance periods, when facilities must be removed from service for rehabilitation, repair, or maintenance.

### WATER RECYCLING PROGRAM

To encourage development of local supplies, Metropolitan initiated the Local Projects Program in 1981. The Local Projects Program provides financial assistance to new local water supply projects which reduce demands on imported supplies and thereby increase the resources available throughout Metropolitan. The most common of these projects is wastewater recycling, where highly treated wastewater is reused for non-drinking water purposes such as park and golf course irrigation. There are currently 27 projects throughout the service area participating in Metropolitan's Local Projects Program with a potential yield of approximately 140,000 acre-feet of new supplies which would meet six percent of current demand. In the future, the number of projects participating in the program may increase to 45 and could double the potential yield of water recycling projects.

### WATER CONSERVATION PROJECTS

Metropolitan actively promotes water conservation programs within the service area. Conservation reduces the demand on imported supplies. Metropolitan has implemented a Conservation Credits Program, which provides direct cash reimbursements to local agencies for a share of their costs in implementing plumbing enhancement and low-water-use landscaping programs. The program currently represents the largest financial commitment to water conservation practices in the nation. Metropolitan has also participated in a broad-based statewide effort to define a set of standard water conservation practices to be applied throughout California. Conservation practices reduced urban water demands in the service area by 220,000 acre feet in 1990, a supply savings of nine percent. By 2010, it is estimated conservation practices will reduce urban water demand by 500,000 acre-feet (relative to the 1980 base water demand), thus increasing the reliability of existing water supplies to existing land uses.

### SYSTEM IMPROVEMENTS

Metropolitan has an ongoing commitment, through physical system improvements, to maintain the reliable delivery of water throughout the entire service area. System improvement projects include additional conveyance facilities and appurtances to increase dependable water supplies, provide alternative system delivery capacity, and enhance system operations. It also includes projects to upgrade obsolete facilities or equipment, and projects to rehabilitate or replace "worn out" facilities or equipment. These types of projects are needed to enhance system operations, comply with new regulations, and maintain a reliable distribution system.

### LONG-RANGE FINANCIAL PLANNING

A reliable water supply comes at a cost. Metropolitan is reevaluating how these costs should be borne by current and future users. Since passage of Article XIII A of the California Constitution (Proposition 13 of 1978), Metropolitan has necessarily relied more on water sales revenue than on ad valorem property taxes for the amortization of construction debt. Water sales have become the dominant source of revenue, not only for operation and maintenance of the vast network of facilities supplying water to Southern California, but for replacement, capital improvement, and expansion.

The increased reliance on water sales revenue has offset the loss of ad valorem property tax revenue. However, it increases the probability of undesirable rate swings resulting from changing weather patterns and has placed an increasing burden on current rate payers, which might more equitably be paid in part by land assessments or new growth. The standby charge is part of a revenue reallocation which will help stabilize rates and cause land owners to pay a share of system costs.

### Standby Charge

This form of charge is authorized by the Legislature. It represents an acknowledgement that ad valorem property taxes and water sales revenues as exclusive sources do not necessarily represent the most fair and equitable way of recovering debt service from benefitting properties.

The advantage of the standby charge is that it recognizes that there are economic benefits to properties that have the access to a water supply, but may not be using it. The charge transfers some of the burden of maintaining the capital infrastructure for a water system to all the benefitting properties within the service area. In this instance, there are many vacant properties that enjoy the benefits of belonging to Metropolitan and having legal access to water. The value of this benefit can be recovered, in part, more appropriately through the imposition of an annual standby charge. The projects that have been selected to be supported in part by a standby charge represent those projects that are of a District-wide benefit to both existing water users and current non-users. Accordingly, the charge should be uniform in amount and applied to all parcels which benefit from the availability of Metropolitan's water supply.

### Equity

The standby charge will result in lower water rates than would otherwise be necessary due to the amount of revenue collected from properties which do not adequately contribute. These properties will now be contributing an adequate share of the cost of the production and supply of water in Southern California.

Table 1 shows that the distribution of revenues from the various counties and agencies will provide a net revenue flow of approximately \$25 million per year. These funds, when melded with Metropolitan's overall financial resources, will result in greater rate stability and more gradual changes in water rates for all users throughout the Metropolitan service area.

A major advantage of a firm revenue source, such as an annual standby charge, is that it contributes to revenue stability during times of drought or lack of water sales. It affords Metropolitan additional security, when borrowing funds, that there is a portion of the revenue stream that will not be affected by drought or by rainstorms. This security will help maintain Metropolitan's historically high credit rating, which results in lower interest expense to Metropolitan, and therefore, lowers overall cost to the residents of its service area.

Metropolitan, in its ongoing effort to ensure a reliable, safe water supply that will be equitably funded by all beneficiaries, is continuing to analyze other revenue sources that could provide a better revenue program for all benefitting parties.

#### SUMMARY

The foregoing describes the current benefits provided by the projects listed as mainstays to the water supply system for Southern California. Benefits are provided to both water users as well as property. It has been determined that a more equitable distribution of the burden of paying for these benefits would be accomplished by a standby charge on all properties throughout the Metropolitan service area. The projects represented by this report provide a uniform benefit throughout the entire service area. It is therefore recommended that a uniform charge be levied on all properties at a rate of \$5.00 per acre of land or per parcel of less than one acre for Fiscal Year 1992-1993. The benefits described far exceed the recommended charge.

DCM/wlb

S:MMSHARED\CORRES  
STANDBY.DOX

TABLE 1

STANDBY CHARGE  
REVENUE MODEL

\$5.00 per AC or Parcel

<u>MEMBER</u>	<u>TOTAL</u>	<u>% Total</u>	<u>By County</u>	<u>% Total</u>
Beverly Hills	\$ 40,315	0.14		
Burbank	136,555	0.48		
Compton	62,220	0.22		
Glendale	241,880	0.85		
Long Beach	396,685	1.40		
Los Angeles	3,680,020	12.95		
Pasadena	180,055	0.63		
San Fernando	18,885	0.07		
San Marino	29,880	0.11		
Santa Monica	64,135	0.23		
Torrance	155,675	0.55		
West Basin MWD	1,320,230	4.64		
Three Valleys MWD	1,062,020	3.74		
Foothill MWD	172,095	0.61		
Central Basin MWD	1,426,035	5.02		
Las Virgenes MWD	971,200	3.42		
Upper San Gabriel MWD	1,144,955	4.03	\$11,102,840	39.06
Anaheim	240,035	0.84		
Fullerton	118,330	0.42		
Santa Ana	146,605	0.52		
Coastal MWD	315,925	1.11		
Municipal WD of Orange	2,892,725	10.18	3,713,620	13.06
San Diego CWA	6,479,438	22.79	6,479,438	22.79
Eastern MWD	2,167,704	7.63		
Western MWD	2,463,125	8.66	4,630,829	16.29
Chino Basin MWD	796,253	2.80	796,253	2.80
Calleguas	1,703,647	5.99	1,703,647	5.99
	<u>\$28,426,626</u>	<u>100.00</u>		

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. Actual Revenue collected will be less than projected due to tax payment delinquencies, and is estimated to be approximately \$25,000,000.

ATTACHMENT 4

NOTICE OF PUBLIC HEARING

WATER STANDBY CHARGES

The Metropolitan Water District of Southern California (MWD) imports supplemental water supplies for its six-county service area through its Colorado River Aqueduct and the California State Water Project. MWD makes annual payments to cover the costs of constructing and maintaining these import systems. MWD is also constructing additional reservoir and pipeline facilities to store and deliver water, and provides financing for water recycling and conservation programs within its service area. MWD has adopted a Resolution of Intention to consider financing portions of its facilities and programs by levying a water standby charge for fiscal year 1992-93 in the amount of \$5 per year per acre of land or \$5 per year for each parcel of land less than an acre within MWD to which water is made available for any purpose by MWD whether the water is actually used or not.

Please take note that the Board of Directors of MWD will conduct public hearings at which interested parties may present their views on the proposed water standby charges on the following dates at the indicated times and locations:

March 30, 1992, at 7:00 p.m. at Poly High School, 5450 Victoria Ave., Riverside  
March 31, 1992, at 7:00 p.m. at Paramount High School, 14429 S. Downey Ave., Paramount  
April 2, 1992, at 7:00 p.m. at Sunny Hills High School, 1801 Warburton Way, Fullerton  
April 6, 1992, at 7:00 p.m. at No. Hollywood High School, 5231 Colfax Ave.,  
No. Hollywood  
April 7, 1992, at 7:00 p.m. at Orange Glen High School, 2200 Glenridge Rd.,  
Escondido

Any member of the public may submit written comments either at one of the scheduled hearings, or by mailing those comments directly to MWD at P.O. Box 54153, Los Angeles, CA 90054, Attention Executive Secretary, for receipt no later than April 7, 1992.

**Attendance is Voluntary**

Metropolitan Water District  
1111 Sunset Boulevard, Los Angeles CA 90012 (213) 250-6000

**ATTACHMENT 5**

**ESTIMATED COSTS OF IMPLEMENTATION  
OF A WATER STANDBY PARCEL CHARGE**

**TOTAL ESTIMATE:**

Study Costs through 2/92	\$ 235,000
Real Property Database	283,000
Public Hearings/Engineer's Report	35,000
Printing and Mailing of Notices	1,000,000
Preparation of Final Standby Charge	<u>163,000</u>
Total	\$1,716,000

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**Reiter-Lowry-Consultants Rates and Charges:**

	<u>Hourly Rate</u>
Principal	\$105
Associate	95
Systems Design	65
Programming	55
Research Assistant	55
Data Input	35
Word Processing	35
Travel	1/2 of hourly rate for billing category of person in transit.

**Reimbursable Expenses:**

Mileage	\$0.35 per mile
Express Delivery	Actual Cost
County Magnetic Tape	Actual Cost
Printing	Actual Cost
Lodging	Actual Cost
Other Expenses (Directly related to project)	Actual Cost
HP 3000 CPU	\$0.016 per CPU second
HP 3000 CPU storage	\$0.008 per block (1 block = 512 bytes)

TABLE 1

22-Jan-92

SECTION 135 OF MWD ACT PREFERENTIAL RIGHTS TO PURCHASE WATER		PROJECTED PREFERENTIAL RIGHTS END OF F/Y 1991-92			PROJECTED PREFERENTIAL RIGHTS END OF F/Y 1992-93 UNDER CURRENT POLICY			PROJECTED PREFERENTIAL RIGHTS END OF F/Y 1992-93 WITH STANBY AND SERVICE CHARGES			
MEMBER AGENCIES	ACTUAL TAXES AND OTHER CONTRIBUTIONS* AS OF 6-30-91		PROJECTED TAXES 1991-92	PROJECTED CUMULATIVE TOTAL 6-30-92	% OF TOTAL 6-30-92	PROJECTED TAXES 1992-93	PROJECTED CUMULATIVE TOTAL 6-30-93	% OF TOTAL 6-30-93	PROJECTED STANDBY & SERVICE CHARGES 1992-93	PROJECTED CUMULATIVE TOTAL 6-30-93	% OF TOTAL 6-30-93
	% OF TOTAL	% OF TOTAL									
Los Angeles County:											
Beverly Hills	\$24,928,666	1.13%	\$808,500	\$25,737,166	1.13%	\$892,500	\$26,629,666	1.12%	\$204,115	\$26,833,781	1.11%
Burbank	23,121,435	1.05%	700,700	23,822,135	1.04%	773,500	24,595,635	1.04%	388,132	24,983,767	1.03%
Central Basin MWD	229,607,636	10.39%	4,720,100	234,327,736	10.24%	5,210,500	239,538,236	10.10%	3,024,880	242,563,116	10.00%
Compton	6,776,832	0.31%	123,200	6,900,032	0.30%	136,000	7,036,032	0.30%	116,843	7,152,874	0.29%
Foothill MWD	15,984,465	0.72%	408,100	16,392,565	0.72%	450,500	16,843,065	0.71%	290,705	17,133,769	0.71%
Glendale	27,331,934	1.24%	947,100	28,279,034	1.24%	1,045,500	29,324,534	1.24%	548,798	29,873,331	1.23%
Las Virgenes MWD	9,626,114	0.44%	731,500	10,357,614	0.46%	807,500	11,165,114	0.48%	1,226,750	12,391,864	0.52%
Long Beach	87,573,899	3.08%	1,678,600	89,252,499	3.03%	1,853,000	91,105,499	3.00%	946,032	92,051,530	2.97%
Los Angeles	565,999,969	25.60%	16,993,900	582,993,869	25.48%	18,759,500	601,753,369	25.36%	7,038,313	608,791,682	25.09%
Pasadena	26,946,270	1.22%	746,900	27,693,170	1.21%	824,500	28,517,670	1.20%	455,601	28,973,271	1.19%
San Fernando	2,560,720	0.12%	61,600	2,622,320	0.11%	68,000	2,690,320	0.11%	35,127	2,725,447	0.11%
San Marino	5,362,316	0.24%	146,300	5,508,616	0.24%	161,500	5,670,116	0.24%	41,398	5,711,514	0.24%
Santa Monica	24,760,864	1.12%	816,200	25,577,064	1.12%	901,000	26,478,064	1.12%	184,419	26,662,483	1.10%
Three Valleys MWD	45,228,219	2.05%	2,094,400	47,322,619	2.07%	2,312,000	49,634,619	2.09%	1,862,592	51,497,211	2.12%
Torrance	27,351,817	1.24%	985,600	28,337,417	1.24%	1,088,000	29,425,417	1.24%	399,622	29,825,039	1.23%
Upper San Gabriel MWD	108,232,516	4.90%	2,802,900	111,035,416	4.86%	3,204,500	114,239,916	4.82%	1,846,306	116,086,222	4.78%
West Basin MWD	186,558,651	8.44%	5,613,300	192,171,951	8.40%	6,196,500	198,368,451	8.36%	3,416,793	201,785,244	8.32%
Orange County											
Anaheim	10,319,490	0.47%	1,439,900	11,759,390	0.51%	1,589,500	13,348,890	0.56%	553,496	13,902,386	0.57%
Coastal MWD	50,846,222	2.30%	2,402,400	53,248,622	2.33%	2,652,000	55,900,622	2.36%	824,984	56,725,606	2.34%
Fullerton	13,618,861	0.62%	608,300	14,227,161	0.62%	671,500	14,898,661	0.63%	294,980	15,193,641	0.63%
MWD of Orange County	241,773,847	10.94%	9,979,200	251,753,047	11.01%	11,016,000	262,769,047	11.08%	5,918,599	268,687,646	11.08%
Santa Ana	14,599,173	0.66%	1,054,900	15,654,073	0.68%	1,164,500	16,818,573	0.71%	343,551	17,162,124	0.71%
Riverside County											
Eastern MWD	42,314,164	1.91%	1,617,000	43,931,164	1.92%	1,785,000	45,716,164	1.93%	2,723,114	48,439,278	2.00%
Western MWD	61,715,204	2.79%	2,263,800	63,979,004	2.80%	2,499,000	66,478,004	2.80%	3,333,855	69,811,860	2.88%
San Bernardino County											
Chino Basin MWD	50,244,158	2.27%	2,671,900	52,916,058	2.31%	2,949,500	55,865,558	2.35%	1,372,207	57,237,764	2.36%
San Diego County											
San Diego CWA	268,298,526	12.14%	11,842,600	280,141,126	12.25%	13,073,000	293,214,126	12.36%	13,155,989	306,370,115	12.63%
Ventura County											
Calleguas MWD	58,739,192	2.66%	2,641,100	61,380,292	2.68%	2,915,500	64,295,792	2.71%	2,879,417	67,175,208	2.77%
<b>TOTAL WITHIN DISTRICT</b>	<b>\$2,210,621,154</b>	<b>100.00%</b>	<b>\$77,000,000</b>	<b>\$2,287,621,154</b>	<b>100.00%</b>	<b>\$85,000,000</b>	<b>\$2,372,621,154</b>	<b>100.00%</b>	<b>\$53,426,627</b>	<b>\$2,426,047,782</b>	<b>100.00%</b>

TABLE 2

22-Jan-92

SECTION 135 OF MWD ACT PREFERENTIAL RIGHTS TO PURCHASE WATER		PROJECTED TAXES, OTHER CONTRIBUTIONS* PLUS STANDBY & SERVICE CHARGE AS OF 6-30-93			PROJECTED PREFERENTIAL RIGHTS END OF F/Y 1993-94 UNDER CURRENT POLICY			PROJECTED PREFERENTIAL RIGHTS END OF F/Y 1993-94 WITH STANDBY AND SERVICE CHARGES		
MEMBER AGENCIES	PROJECTED TAXES AND OTHER CONTRIBUTIONS* AS OF 6-30-93	% OF TOTAL	PROJECTED TAXES, OTHER CONTRIBUTIONS* PLUS STANDBY & SERVICE CHARGE AS OF 6-30-93	% OF TOTAL	PROJECTED TAXES 1993-94	PROJECTED CUMULATIVE TOTAL 6-30-94	% OF TOTAL 6-30-94	PROJECTED & SERVICE CHARGES 1993-94	PROJECTED CUMULATIVE TOTAL 6-30-94	% OF TOTAL 6-30-94
Los Angeles County:										
Beverly Hills	\$26,629,666	1.12%	\$26,833,781	1.11%	\$976,500	\$27,606,166	1.12%	\$204,115	\$27,810,281	1.10%
Burbank	24,595,635	1.04%	24,983,767	1.03%	846,300	25,441,935	1.03%	388,132	25,830,067	1.03%
Central Basin MWD	239,538,236	10.10%	242,563,116	10.00%	5,700,900	245,239,136	9.85%	3,024,880	248,264,016	9.86%
Compton	7,036,032	0.30%	7,152,874	0.29%	148,800	7,184,832	0.29%	116,843	7,301,674	0.29%
Foothill MWD	16,843,065	0.71%	17,133,769	0.71%	492,800	17,335,965	0.70%	290,705	17,626,669	0.70%
Glendale	29,324,534	1.24%	29,873,331	1.23%	1,143,900	30,468,434	1.24%	548,798	31,017,231	1.23%
Las Virgenes MWD	11,365,114	0.48%	12,591,864	0.52%	883,500	12,248,614	0.50%	1,226,750	13,475,364	0.53%
Long Beach	71,105,499	3.00%	72,051,530	2.97%	2,027,400	73,132,899	2.97%	948,032	74,078,930	2.94%
Los Angeles	601,753,369	25.36%	608,791,682	25.09%	20,525,100	622,278,469	25.24%	7,038,313	629,316,782	24.88%
Pasadena	28,517,670	1.20%	28,973,271	1.19%	902,100	29,419,770	1.19%	455,601	29,875,371	1.19%
San Fernando	2,690,320	0.11%	2,725,447	0.11%	74,400	2,764,720	0.11%	35,127	2,799,847	0.11%
San Marino	5,670,116	0.24%	5,711,514	0.24%	176,700	5,848,616	0.24%	41,398	5,888,214	0.23%
Santa Monica	28,478,084	1.12%	28,662,483	1.10%	985,800	27,463,864	1.11%	184,419	27,648,283	1.10%
Three Valleys MWD	49,634,619	2.09%	51,497,211	2.12%	2,529,600	52,184,219	2.12%	1,862,592	54,026,811	2.14%
Torrance	29,425,417	1.24%	29,825,039	1.23%	1,190,400	30,615,817	1.24%	399,622	31,015,439	1.23%
Upper San Gabriel MWD	114,339,916	4.82%	116,186,222	4.79%	3,506,100	117,846,016	4.78%	1,846,306	119,692,322	4.75%
West Basin MWD	198,368,451	8.36%	201,785,244	8.32%	6,779,700	205,148,151	8.32%	3,416,793	208,564,944	8.28%
Orange County										
Anahelm	13,348,890	0.56%	13,902,386	0.57%	1,739,100	15,087,980	0.61%	553,496	15,641,486	0.62%
Coastal MWD	55,900,622	2.36%	56,725,606	2.34%	2,901,600	58,802,222	2.38%	824,984	59,627,206	2.37%
Fullerton	14,698,661	0.63%	15,193,651	0.63%	734,700	15,633,361	0.63%	294,890	15,928,351	0.63%
MWD of Orange County	262,769,047	11.08%	288,687,648	11.08%	12,052,800	274,821,847	11.15%	5,918,599	280,740,446	11.14%
Santa Ana	16,818,573	0.71%	17,162,124	0.71%	1,274,100	18,092,673	0.73%	343,551	18,436,224	0.73%
Riverside County										
Eastern MWD	45,716,164	1.93%	48,439,278	2.00%	1,953,000	47,669,164	1.93%	2,723,114	50,392,278	2.00%
Western MWD	66,478,004	2.80%	69,811,860	2.88%	2,734,200	69,212,204	2.81%	3,333,855	72,546,060	2.88%
San Bernardino County										
Chino Basin MWD	55,865,556	2.35%	57,237,764	2.36%	3,227,100	59,092,656	2.40%	1,372,207	60,464,864	2.40%
San Diego County										
San Diego CWA	293,214,126	12.36%	306,370,115	12.63%	14,303,400	307,517,526	12.47%	13,155,989	320,673,515	12.73%
Ventura County										
Calleguas MWD	64,295,792	2.71%	67,175,208	2.77%	3,189,900	67,465,692	2.74%	2,879,417	70,365,108	2.79%
<b>TOTAL WITHIN DISTRICT</b>	<b>\$2,372,621,154</b>	<b>100.00%</b>	<b>\$2,426,047,782</b>	<b>100.00%</b>	<b>\$93,000,000</b>	<b>\$2,465,621,154</b>	<b>100.00%</b>	<b>\$53,426,627</b>	<b>\$2,519,047,782</b>	<b>100.00%</b>