

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

September 11, 1992

To: Board of Directors (Special Budget Committee--Information)  
From: General Manager  
Subject: Updated Projected Costs for Fiscal year 1993-94 and Alternatives to Lost Revenues From the Connection Fee and Availability of Service Charge

Report

Information presented to your Committee over the last few months regarding potential water rate increases for fiscal year 1993-94 included estimates of \$85 million in firm revenues from a combination of standby charges or service availability charges and connection fee charges. However, as the final result of various legislative initiatives, only the standby charge generating \$25 million is available for the current year. Projected revenues for the connection fee are limited to \$17 million for 1993-94. This assumes connection fee authority is granted by the Legislature early in the 1993 legislative session and that a connection fee program is in place by January 1994.

Given the uncertainty of the connection fee and the need to generate additional firm revenues for 1993-94, staff has set forward a number of alternatives. These alternatives assume starting with the projected \$89/AF water rate increase for 1993-94 as shown in the 1992 Water Revenue Bond Preliminary Official Statement. Staff has revised the estimates of 1993-94 costs to reflect a change in power costs on the State Water Project and the Colorado River Aqueduct that results in a comparable projected water rate increase of \$77 AF. The reduction in power costs are based on supply assumptions of: full CRA, 30% SWP order, 150,000 AF carryover water from SWP and 100,000 AF from the water bank. These assumptions reflect low storage in state reservoirs and potential water releases for the winter run salmon and are not conservative.

The alternatives outlined in Attachment A include an increase in the standby charge, an establishment of a service of availability charge, an increase in the property tax levy to the statutory maximum, seeking authority for the connection fee or a combination of the four methods. Table 1 details for the 1992-93 and 1993-94 cost estimates by major cost categories. Table 2 details water rate projections through fiscal year 2002-03. The

cost estimates are preliminary and could change in the future but are considered adequate for financial planning purposes.

In response to a request from the Special Budget Committee, a graph has been included showing the District's permanent and temporary employee payrolls for O&M and capital programs as they relate to the 1992-93 Annual Budget.

Board Committee Assignment

This letter is referred to:

The Special Budget Committee for information pursuant to its authority to review information that affects the annual budget under Administrative Code Section 2531.

Recommendation

**SPECIAL BUDGET COMMITTEE**

For information only.

  
for Carl Boronkay

AB/lf

Attachments

ATTACHMENT A

PROJECTED WATER RATE INCREASES  
FISCAL YEAR 1993-94  
UNDER VARIOUS ADDITIONAL REVENUE ALTERNATIVES

<u>Base</u>	<u>Increase Per Acre-Foot</u>
Projection from the 1992 Water Revenue Bond Preliminary Official Statement, dated July 17, 1992, includes \$85 million in firm revenue.	\$ 89/AF
Revised cost estimates to reflect increase in CRA diversions as of September 1992.	\$ 77/AF *
Effect on water rate of loss of \$25 million in firm revenues and no connection fee authority (\$35/AF impact).	\$ 112/AF
<u>Alternatives</u>	
1) Increase standby charge in 1993-94 from current charge of \$5 per parcel to \$17 per parcel to generate \$85 million.	\$ 77/AF
2) Eliminate the water standby charge and impose \$85 million in service charges on the member agencies.	\$ 77/AF
3) Increase tax levy to statutory maximum of \$105 million (an increase of \$11 million over projected levy of \$94 million) and generate \$74 million from a standby charge of \$14.80 per parcel.	\$ 77/AF
4) Generate connection fee revenues of \$17 million during the second half of 1993-94 and total standby charge revenues of \$68 million (\$13.60 per parcel) Assumes granting of authority to impose a connection fee by legislation in 1993 session with effective date of January 1, 1994.	\$ 77/AF
5) Generate connection fee revenues of \$17 million during the second half of 1993-94, increase tax levy to statutory maximum of \$105 million (an increase of \$11 million), and total standby charge revenues of \$57 million (\$11.40 per parcel).	\$ 77/AF
* The \$77/AF increase reflects changes in projected costs for 1993-94 and changes in the projected drawdown of the Water Rate Stabilization Fund during 1992-93 since the Official Statement for the 1992 Water Revenue Bond Issue was prepared.	

TABLE 1

PROJECTED COSTS-CASH BASIS  
(\$ in thousands)

	92-93	93-94
STATE WATER PROJECT SUPPLY	-----	-----
-SWP CAPITAL	\$130,160	\$131,166
-KERN WATER BANK -Capital	\$3,400	\$3,400
-SWP OMP&R	\$84,382	\$87,733
-Off-Aqueduct	\$104,080	\$107,676
-SWP VARIABLE POWER	\$22,822	\$19,194
-ARVIN-EDISON O&M	\$1,000	\$2,142
-KERN WATER BANK -O&M	\$230	\$230
-SWP Credits	(\$20,000)	(\$20,000)
TOTAL STATE WATER PROJECT SUPPLY	\$326,074	\$331,541
STATE WATER BANK: PURCHASE & POWER	\$800	\$24,000
COLORADO RIVER SUPPLIES		
-CRA POWER	\$36,140	\$37,892
-IID I CAPITAL	\$14,031	\$19,695
-IID I O&M & INDIRECT	\$6,915	\$6,868
-Add'l CRA Supplies: Capital	\$16,100	\$43,447
-Add'l CRA Supplies: O&M	\$0	\$0
TOTAL CRA SUPPLY	\$73,186	\$107,902
WATER MANAGEMENT PROGRAMS		
-LOCAL PROJECTS RECLAIMED WATER	\$3,620	\$6,036
-GROUNDWATER CLEAN-UP	\$3,100	\$11,100
-CONSERVATION CREDITS PROGRAM	\$21,263	\$23,389
TOTAL WATER MANAGEMENT PROGRAMS	\$27,983	\$40,525
MWD CAPITAL PROGRAM		
-REVENUE BOND DEBT SERVICE	\$49,424	\$49,422
-S.O. BOND DEBT SERVICE	\$57,974	\$57,737
-COMMERCIAL PAPER D\&S & Costs	\$3,000	\$3,000
-PAYG	\$7,420	\$103,091
-1ST AQUEDUCT DEBT SERVICE	\$210	\$204
TOTAL MWD CAPITAL PROGRAM	\$118,028	\$213,454
MWD O&M	\$195,460	\$213,705
LEASE OBLIGATIONS	\$6,798	\$8,779
OPER EQUIP & CHANGE IN INVENTORY	\$13,031	\$18,000
TOTAL COSTS	\$761,360	\$957,906
ADJUSTMENTS IN RESERVES	\$44,256	\$55,016
TOTAL OBLIGATIONS	\$805,616	\$1,012,922
Projected Sales in Acre-Feet		
State Water Project	741,000	687,000
Colorado River Aqueduct	1,273,000	1,271,000
State Water Bank & Transfers	0	100,000
Total	2,014,000	2,058,000

NO INTERRUPTIBLE SALES

TABLE 2

14-Sep-92

CONSTANT DOLLAR DIFFERENTIAL OF  
\$101/AF WITH SEASONAL STORAGE RATE

PROJECTED WATER RATES  
(\$ in thousands)

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SEASONAL SALES 25% OF TOTAL SALES

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
PROJECTED WATER SALES (1,000 AF)	2,014	2,058	2,192	2,306	2,317	2,363	2,410	2,456	2,495	2,525	2,550
REQUIRED WATER REVENUE (1)	\$636,800	\$772,172	\$902,627	\$1,083,837	\$1,156,840	\$1,237,328	\$1,266,832	\$1,290,377	\$1,391,147	\$1,378,422	\$1,494,010
USE OF WRSF	\$102,122	\$60,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
UNTREATED NONINTERRUPTIBLE WATER RATE (PER ACRE-FOOT)	\$269	\$346	\$398	\$455	\$477	\$499	\$488	\$481	\$514	\$493	\$540
INCREASE OVER PRIOR YEAR	\$47	\$77	\$52	\$57	\$22	\$21	(\$11)	(\$7)	\$33	(\$22)	\$47
TREATMENT SURCHARGE (PER AF)	\$53	\$66	\$84	\$84	\$87	\$92	\$107	\$118	\$126	\$128	\$134
Additional Revenue	\$25,000	\$85,000	\$85,000	\$95,000	\$105,000	\$115,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000

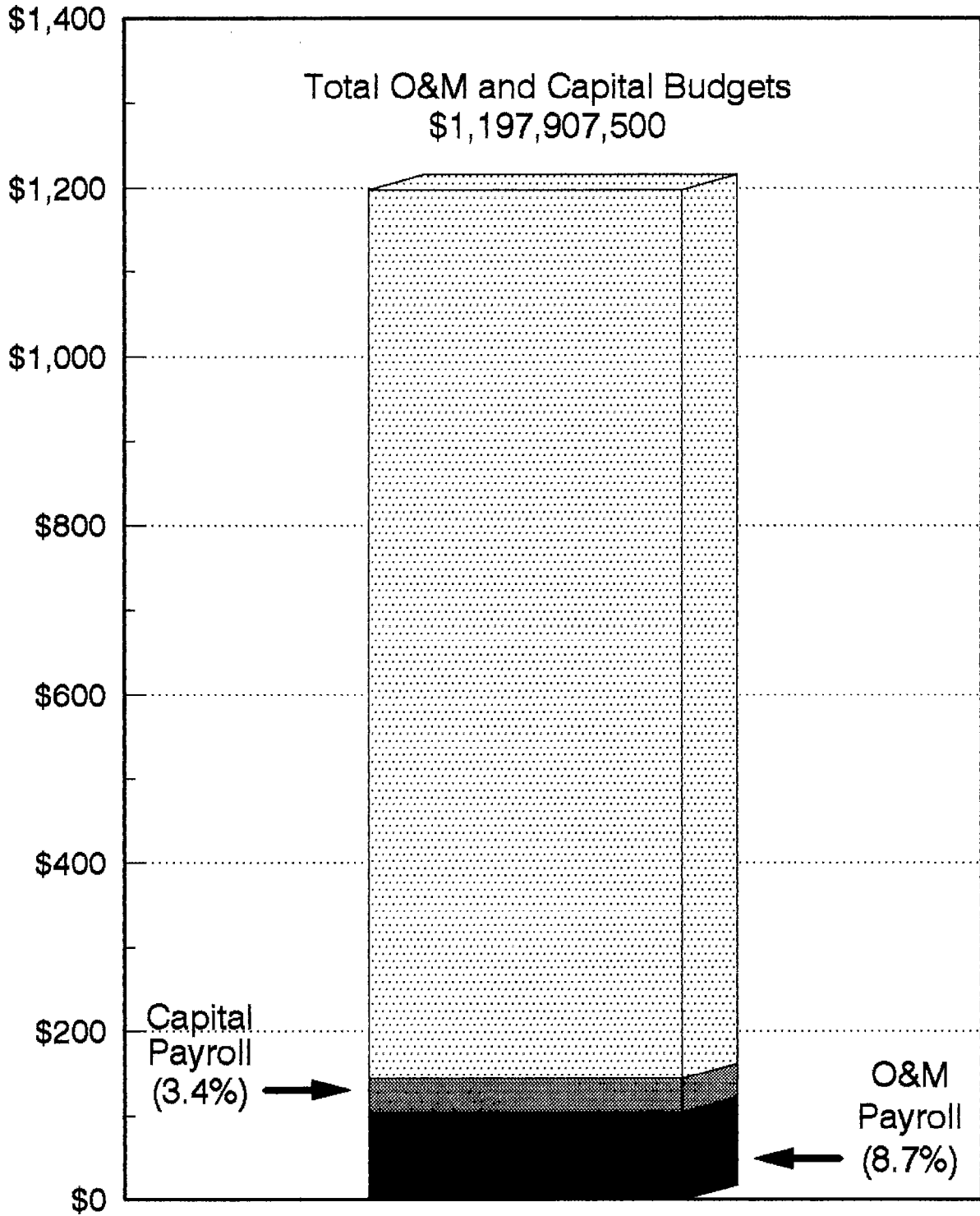
Notes:

(1) Required water revenue net of firm revenues.

Minor differences due to rounding.

# DISTRICT PAYROLL COMPARED TO TOTAL 1992-93 BUDGETS

Millions of Dollars



Graph 1