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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Karen E. Duff
EXECUTIVE SECRETARY

December 26, 1995

To: Board of Directors (Water Planning and Resources Committee--Action)
(Finance and Insurance Committee--Information)

From: *h* General Manager *Walter Stone*

Submitted by: Debra C. Man, Chief *Debra C. Man*
Planning and Resources

Subject: Recommended Water Rates for Fiscal Year 1996-97 and Resolutions Giving
Notice of Intention to Impose Charges

RECOMMENDATIONS

It is recommended that the Board of Directors:

1. Find that the setting of rates and charges recommended in this letter is exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080(b)(8) since it is for the purposes of: a) meeting operating expenses, b) purchasing or leasing supplies, equipment or materials, c) meeting financial reserve needs and requirements, and d) obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, since it constitutes the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities.
2. Set a time for a hearing of the Water Planning and Resources Committee at which interested parties may present their views regarding the General Manager's recommendation. The water rates and charges for the first six months of fiscal year 1996-97 will remain unchanged. It is recommended that the rates and charges effective January 1, 1997, be set by the Board as follows:

Effective January 1, 1997

<u>Class of Service</u>	<u>Rate or Charge</u>
Noninterruptible--Untreated	\$ 349 per AF
Noninterruptible--Treated	\$ 431 per AF
Interim Agriculture--Untreated	\$ 236 per AF
Interim Agriculture--Treated	\$ 294 per AF
Seasonal Storage--Untreated	\$ 233 per AF
Seasonal Storage--Treated	\$ 290 per AF
Reclaimed	\$ 113 per AF
Connection Maintenance Charge	\$ 50 per cubic feet per second (CFS) of capacity per month, not to exceed a maximum charge per connection of \$5,000 per month

3. Approve the following resolutions:

a) Resolution of intention to impose the readiness-to-serve (RTS) charge in the form shown as Exhibit A to this letter, declaring the Board's intention (i) at its March 11, 1996, meeting to consider and act upon the General Manager's recommendation to impose an RTS charge at the current level, with an increase on January 1, 1997, and (ii) at its May 14, 1996, meeting to consider and act upon the General Manager's recommendation to impose standby charges within the territories of member agencies that have requested that charge as a means of collecting the RTS charge.

b) Resolution of intention to levy a new demand charge (NDC) at the current level in the form shown as Exhibit B to this letter.

4. Find that portions of items 2 and 3 may be reconsidered as a result of the rate refinement process which is in process and expected to be completed in March 1996.

EXECUTIVE SUMMARY

Administrative Code Section 4304(c) requires the General Manager to present to the Water Planning and Resources Committee recommendations for water rates for the next fiscal year based on the Finance and Insurance Committee's determination of required water revenues. In December 1995, the Finance and Insurance Committee considered and approved the General Manager's determination of the revenues to be derived from water sales during fiscal year 1996-97 in Board Letter 8-1, entitled Revenue Requirements for Fiscal Year 1996-97 (Revenue Requirements Letter). The recommended rate changes for fiscal year 1996-97 will result in a 1.8 percent increase in annual revenues, or about \$11.5 million dollars.

An increase in water rates and the Readiness-to-Serve (RTS) charge is required to provide the revenue necessary to construct the Eastside Reservoir Project, rehabilitate of the 50-year old transmission and distribution system, implement transfers for dry year yield, and invest in local conservation, reclamation and groundwater management programs.

Cost Control

This letter proposes a \$5 per acre-foot (AF) base rate increase, no treatment surcharge increase, and an increase in the RTS of \$16.1 million effective January 1, 1997, which will provide an additional \$8.1 million in RTS revenue for fiscal year 1996-97. These levels of rates and charges are less than previous estimates. During the 1995-96 budget process, it was projected that the RTS would need to increase by \$26 million, base water rates would have to increase by \$7 per acre-foot, and the treatment surcharge would increase by \$5 per acre-foot in 1996-97. Metropolitan's revenue requirements for 1996-97 were previously projected to be \$953 million, while the current revenue estimate for 1996-97 is \$879.1 million, a \$74 million decrease.

As shown in Table A, projected costs for fiscal year 1995-96 are about \$86 million below budget, due to lower sales, reduced State Water Project costs, lower costs for Metropolitan's capital program and lower Colorado River costs. Capital expenditures have been less than budget, due to favorable construction bids and deferral of projects as a result of the Integrated Resource Planning process. The ten-year capital program has been reduced from \$4.7 billion to \$4.1 billion, and continues to be reviewed in light of the recent construction bids. Preliminary results of this review indicate that capital outlays will be lower in 1996-97, and as a result, the bond issue previously scheduled for winter can be deferred to mid-1996.

As a result, staff is recommending the lower water rate increase, and that it be implemented six months later, on January 1, 1997. The January 1, 1997, implementation date reflects Metropolitan's more favorable financial condition. The later implementation date is responsive to member agencies' requests to implement rate changes during the winter sales period, providing more time to prepare for rate changes. Finally, the January implementation date will provide time to incorporate positive changes resulting from the recently initiated rate refinement process.

Five-Year Rate Program

The recommended rates and charges are elements of a five-year program to buffer rate increases, yet still provide necessary funding for emergency, reliability and water quality improvements to meet service area needs. Table B shows the five-year forecast of rates and charges and the balances in the Water Rate Stabilization Fund (WRSF). As can be seen in the table and in Graph 1, the Water Rate Stabilization Fund will be drawn down to about \$50 million over the next five years to stabilize rates and assure affordable water. By utilizing the WRSF in this manner, water rates and charges can be expected to increase by six percent or less annually over the next five years, assuming a return to normal weather trends by 1999-2000, and resource development as outlined in the Integrated Resources Plan.

1996-97 Proposed Revenue Program

As shown in Table B, the noninterruptible untreated water rate would increase January 1, 1997, by \$5 per acre-foot; the noninterruptible water treatment surcharge would not change in fiscal year 1996-97. As in previous years, the increase in the seasonal storage water rate is equal to 80 percent of the noninterruptible increase, or \$4 per acre-foot. To more closely match the RTS charges with debt service schedules, it is recommended that the RTS be increased to \$72.1 million on January 1, 1997. The impact of the January 1, 1997, implementation date is to increase RTS revenues in 1996-97 by \$8.1 million. It is recommended that all other rates and discounts remain unchanged. As in 1995-96, the standby charge is recommended to be continued for those agencies who are utilizing that charge.

The combined fiscal impact of this proposal is a 1.8 percent increase in annual revenues. The rates and charges recommended in this letter, plus about \$50 million from the WRSF, are sufficient to produce the required water revenue based on a water sales estimate of 1.7 million acre-feet during fiscal year 1996-97. This will require that an additional \$2.4 million above the \$37.6 million of WRSF monies recommended in the Revenue Requirements Letter be used in 1996-97.

DETAILED REPORT

The proposed rates and charges are based on the Revenue Requirements Letter, and together with \$50 million from the WRSF, are sufficient to meet the projected 1996-97 revenue requirements. The water rates and charges for fiscal year 1996-97 reflect the form initially implemented in fiscal year 1995-96, and includes the RTS, the connection maintenance charge (CMC), and the NDC. The recommended rate changes for fiscal year 1996-97 will result in a 1.8 percent increase in annual revenues, or about \$11.5 million dollars.

An increase in water rates and the Readiness-to-Serve (RTS) charge is required to provide the revenue necessary to construct the Eastside Reservoir Project, rehabilitate the 50-year old transmission and distribution system, implement transfers for dry year yield, and invest in local conservation, reclamation and groundwater management programs.

Cost Control

This letter proposes a \$5 per acre-foot (AF) base rate increase, no treatment surcharge increase, and an increase in the RTS of \$16.1 million effective January 1, 1997, which will provide an additional \$8.1 million in RTS revenue for fiscal year 1996-97. These levels of rates and charges are less than previous estimates. During the 1995-96 budget process, it was projected that the RTS would need to increase by \$26 million, base water rates would have to increase by \$7 per acre-foot and the treatment surcharge would increase by \$5 per acre-foot in 1996-97. Metropolitan's revenue requirements for 1996-97 were previously projected to be \$953 million, while the current revenue estimate for 1996-97 is \$879.1 million, a \$74 million decrease.

A five year projection of Metropolitan's costs and revenues are shown in Tables A and B. In addition, forecasts of rates and important financial indicators are included in Table B. The forecast assumes that water sales remain soft over the next three years as a result of the extended wet period. Given historic weather trends, it is expected that winter sales will be higher in future years, returning to the normal trend line.

Capital expenditures have been less than budget, due to favorable construction bids and deferral of projects as a result of the Integrated Resource Planning process. The ten-year capital program has been reduced from \$4.7 billion to \$4.1 billion, and continues to be reviewed in light of the recent construction bids. Preliminary results of this review indicate that capital outlays will be lower in 1996-97, and as a result, the bond issue previously scheduled for winter can be deferred to mid-1996.

Five-Year Rate Program

The recommended rates and charges are elements of a five-year program to buffer rate increases, yet still provide necessary funding for emergency, reliability and water quality improvements to meet service area needs. Table B shows the five-year forecast of rates and charges and the balances in the Water Rate Stabilization Fund. As can be seen in the table and in Graph 1, the Water Rate Stabilization Fund will be drawn down to about \$50 million over the next five years to stabilize rates and assure affordable water. By utilizing the WRSF in this manner, water rates and charges can be expected to increase by six percent or less annually over the next five years, assuming a return to normal weather trends by 1999-2000, and resource development as outlined in the Integrated Resources Plan.

1996-97 Proposed Revenue Program

As shown in Table B, the noninterruptible untreated water rate would increase January 1, 1997, by \$5 per acre-foot; the noninterruptible water treatment surcharge would not change in fiscal year 1996-97. As in previous years, the increase in the seasonal storage water rate is equal to 80 percent of the noninterruptible increase, or \$4 per acre-foot. To more closely match the RTS charges with debt service schedules, it is recommended that the RTS be increased to \$72.1 million on January 1, 1997. The impact of the January 1, 1997, implementation date is to increase RTS revenues in 1996-97 by \$8.1 million. As in 1995-96, the standby charge is recommended to be continued for those agencies who are utilizing that charge.

The rates for agricultural water are based on the Interim Agricultural Water Program as approved by your Board on May 10, 1994, which provides for discounts of \$137 per acre-foot and \$113 per acre-foot for treated and untreated water, respectively.

January 1, 1997 Implementation

As a result of discussions with member agencies, staff is proposing to change implementation of the fiscal year 1996-97 rate increase from July 1, 1996, to January 1, 1997. This change would allow rates and charges to be effective after the budget has been adopted and meet the requests of the member agencies who prefer to see rate increases occur during the winter months. The later implementation date reflects Metropolitan's more favorable financial position, when compared to 1995-96 budget estimates. In addition, the January implementation date will provide your Board an opportunity to incorporate any results of the recently initiated rate refinement process in the 1996-97 fiscal year. However, an additional \$12.4 million of WRSF monies will need to be used over and above the amount recommended in the Revenue Requirements Letter to meet costs during 1996-97. Therefore, a total of \$50 million will be used from the WRSF.

Readiness-To-Serve Charge

The RTS is set to recover the principal and interest payments on non-tax supported debt service that has been or will be issued to fund capital improvements necessary to meet the continuing reliability and water quality needs associated with current demands. In fiscal year 1996-97, \$64.1 million will be collected through the RTS charge, an increase of \$8.1 million over fiscal year 1995-96. The \$64.1 million is based on collecting six months of the RTS revenues at an annualized rate of \$56.0 million and six months of the RTS revenues at an annualized rate of \$72.1 million.

The charge is allocated to each member agency on the basis of a rolling average of historic water purchases from Metropolitan, including sales for consumptive demands, agriculture, and storage. For fiscal year 1996-97, an agency's share of the RTS will be based on the average of Metropolitan sales in fiscal years 1993-94 and 1994-95, less certain long-term storage water as more particularly described in Exhibit A, Section 8. Table C shows the RTS obligation by member agency and the estimated standby charge revenues that would be available at existing parcel rates.

The proposed form of resolution of your Board declaring its intention to impose the RTS charge at the current level of \$56.0 million with an increase on January 1, 1997, to \$72.1 million, and notifying the member agencies of this intention is attached as Exhibit A. An Engineer's Report explaining the basis for the charge and the allocation of the charge among member agencies is attached to this resolution.

During the process to establish the rates and charges for fiscal year 1995-96, member agencies were provided the option to request that Metropolitan impose a standby charge on parcels of land in the agency's service area. Standby charge collections from member agencies who opted to retain the standby charge will be credited against the member's RTS charge obligation. Any standby charge revenues in excess of the member agency's RTS charge obligation will be credited to the agency's other obligations to Metropolitan or carried forward to next year. **Any member agency for whom Metropolitan currently imposes a standby charge and who no longer wishes to have the charge imposed must notify Metropolitan by letter, which must be delivered to the Chief of Planning and Resources not later than March 1, 1996.**

The Water Planning and Resources Committee will hold a public hearing in February 1996, on its intention to impose the RTS charge. This hearing will include the water rates and other charges to be levied for fiscal year 1996-97. Additionally, Metropolitan will provide the necessary notice or notices to the public in the areas where standby charges have been requested and your Board will hold a public hearing on April 9, 1996, for interested parties to present comments or protest the proposed water standby charge. It is anticipated that your Board will take action on the proposed standby charges at its meeting on May 14, 1996.

The resolution of intention to impose the RTS charge (and, within specified member agencies, standby charges to be used as credits against the RTS charge) also establishes the criteria under which certain lands may be exempt from the standby charge. Lands which were exempt from standby charges for prior years will continue to be exempt and those property owners will not be required to refile exemption requests.

The New Demand Charge

The new demand charge (NDC) recovers the capital costs associated with meeting new demands on Metropolitan's system. To incur the NDC, an agency's most current four-year average of Metropolitan sales (less certain storage deliveries as more particularly described in Exhibit B, Section 9) must be greater than its established NDC base (as shown in Metropolitan's Administrative Code, Section 4403). As approved by your Board, the NDC in fiscal year 1995-96 was initially set at \$1,000 per acre-foot. It is proposed that the NDC remain at \$1,000 per acre-foot in fiscal year 1996-97.

The proposed form of resolution of your Board declaring its intention to impose the NDC and notifying the member agencies of this intention is attached as Exhibit B. This resolution incorporates the Nexus Study. The Nexus Study serves the purpose of documenting the rationale and assessment of the NDC to member agencies and serves as a source document for member agencies who wish to collect the appropriate portion of the NDC at the local level through connection or capacity fees.

Connection Maintenance Charge

The CMC will recover a portion of the costs associated with operating and maintaining service connections and other connection-related costs. The total charge to each member agency is based on the number of connections to which the CMC applies and the capacity of each connection, measured in cubic-foot per second (cfs). The CMC for fiscal year 1996-97 will remain unchanged, and is equal to \$50 per cfs of connected capacity per month per connection, with a maximum charge of \$5,000 per month per connection.

Treatment Surcharge

The treatment surcharge is currently \$82 per acre-foot for noninterruptible water and \$55 per acre-foot for seasonal storage water. For fiscal year 1996-97, it is proposed that these rates remain unchanged. The current level of treatment surcharge is adequate to cover the capital and operations and maintenance costs associated with the treatment of water, and is consistent with the Board's policy that all costs pertaining to the treatment of water be recovered through the treatment surcharge.

Reclaimed Water Rate

The reclaimed water rate will remain at \$113 per acre-foot for fiscal year 1996-97. This rate is required to comply with contractual obligations and legal requirements of the Local Projects Program.

Seasonal Storage Rates

The seasonal storage rate has increased over the past several years to keep pace with increases in the costs of delivery of seasonal water. In the three most recent years, the rates for seasonal water have increased at a pace equal to 80 percent of the increase in noninterruptible water. Therefore, for fiscal year 1996-97, it is recommended that the untreated and treated seasonal rate increase by \$4 per acre-foot effective January 1, 1997.

An informational letter on incentive and pricing alternatives for local storage programs was prepared for your Board, dated August 29, 1995. A pending letter on development of a comprehensive local storage program was also prepared for your Board, dated September 26, 1995.

Staff will be developing its recommendation for a comprehensive local storage program for Board action in June 1996, based on the continued analysis of the three alternatives presented in the Board letters and other alternatives that may arise from discussions with the Board, member agencies and the IRP Workgroup.

Interim Agricultural Water Rates

In May 1994, your Board adopted the Interim Agricultural Water Program. At that time, the discounts for agricultural water deliveries were set at \$137 per acre-foot for treated water and \$113 per acre-foot for untreated water for the term of the three-year program. Thus, the interim agricultural water rates for fiscal year 1996-97 will be \$294 per acre-foot for treated water and \$236 per acre-foot for untreated water effective January 1, 1997. An assessment of the Interim Agricultural Water Program by a committee of your Board is currently in process.

Implementation Steps

The process for adopting the required revenues, water rates, and other charges is outlined in Figure 1. In January 1996, the Water Planning and Resources Committee will consider the Recommended Water Rates letter. Also in January, the Resolutions of Intent to impose the RTS (including water standby charges) and the NDC in fiscal year 1996-97 will be considered, and a public hearing on water rates and charges will be set.

At the presentation of the Fiscal Year 1996-97 Revenue Requirements letter, some member agencies expressed concern over the timing and level of increase in rates and charges. A joint meeting of the Special Budget Committee and Committee on Financial Policy is scheduled in late January 1996 to discuss the current proposal and potential alternatives regarding timing and the size of the increase.

In February, the Water Planning and Resources Committee will conduct a public hearing on the proposed water rates and charges. Adoption of the water rates and charges, other than the Standby Charge, will follow in March. A public hearing on the water standby charge would be held in April, and the Resolution to Impose the fiscal year 1996-97 water standby charge would be adopted in May.

The recommendations made in this letter are exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080 (b)(8) since it recommends setting of rates and charges for the purposes of: 1) meeting operating expenses, 2) purchasing or leasing supplies, equipment or materials, 3) meeting financial reserve needs and requirements, and 4) obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, since it constitutes the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities.

JMS:arb

Attachments

jmsratf/board

**Table C
1996-97 RTS CHARGE**

Member Agency	2 Year Average Demands (Acre-Foot) ¹	RTS Share	RTS Charge-- 6 months of \$56.0 million	RTS Charge-- 6 months of \$72.1 million	Total RTS Charge Revenues	Estimated Standby Charge Revenues At Existing Parcel Rates
Anaheim	16,782	1.10%	309,197	398,091	707,288	574,828.83
Beverly Hills	12,728	0.84%	234,505	301,925	536,429	
Burbank	17,588	1.16%	324,047	417,210	741,257	401,213.22
Calleguas	85,036	5.60%	1,566,730	2,017,165	3,583,895	2,448,914.58
Central Basin MWD	65,355	4.30%	1,204,121	1,550,306	2,754,427	3,545,226.26
Chino Basin MWD	32,958	2.17%	607,229	781,807	1,389,035	1,655,566.95
Coastal	39,090	2.57%	720,206	927,266	1,647,472	1,011,192.48
Compton	3,986	0.26%	73,439	94,553	167,992	160,939.71
Eastern	48,708	3.21%	897,411	1,155,417	2,052,829	2,633,367.24
Foothill	7,259	0.48%	133,742	172,193	305,935	311,555.66
Fullerton	7,251	0.48%	133,595	172,003	305,598	352,381.50
Glendale	26,456	1.74%	487,434	627,571	1,115,004	543,922.93
Las Virgenes MWD	17,510	1.15%	322,610	415,360	737,970	529,001.80
Long Beach	42,539	2.80%	783,752	1,009,081	1,792,832	1,078,219.80
Los Angeles	215,438	14.18%	3,969,297	5,110,470	9,079,767	
MWDOC	168,986	11.12%	3,113,451	4,008,568	7,122,019	5,842,512.00
Pasadena	10,691	0.70%	196,974	253,604	450,579	429,038.78
San Diego CWA	390,666	25.71%	7,197,753	9,267,107	16,464,859	12,319,878.04
San Fernando	138	0.01%	2,543	3,274	5,816	40,546.93
San Marino	1,327	0.09%	24,449	31,478	55,927	40,945.57
Santa Ana	11,917	0.78%	219,563	282,687	502,249	423,197.10
Santa Monica	4,652	0.31%	85,710	110,352	196,061	
Three Valleys MWD	57,666	3.79%	1,062,456	1,367,913	2,430,369	1,856,784.82
Torrance	20,311	1.34%	374,216	481,803	856,020	463,283.36
Upper San Gabriel	7,529	0.50%	138,717	178,598	317,314	1,934,981.66
West Basin MWD	155,531	10.23%	2,865,552	3,689,398	6,554,950	
Western MWD	<u>51,633</u>	<u>3.40%</u>	<u>951,303</u>	<u>1,224,802</u>	<u>2,176,105</u>	<u>3,270,951.06</u>
MWD	1,519,731	100.00%	\$ 28,000,000	\$ 36,050,000	64,050,000	41,868,450.28

¹ Acre-Foot Sales used for purposes of calculating RTS shares

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**GRAPH 1
FIVE YEAR RATE STABILIZATION PROGRAM**

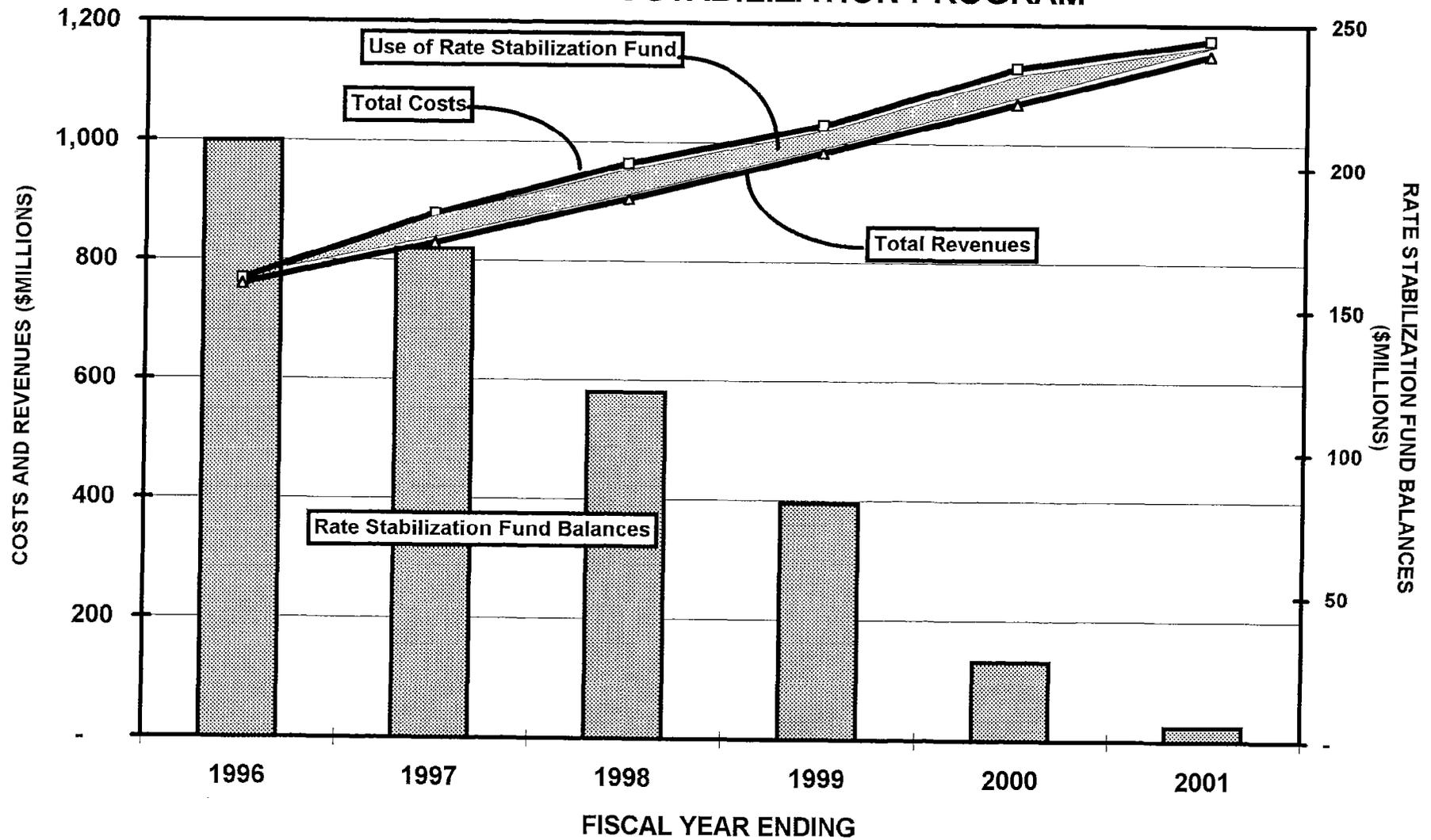


Figure 1

IMPLEMENTING STEPS

Dec 1995	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
	1996								
December 12: Final Revenue Requirements Letter									
January 8-9: GM's Recommended Water Rates Resolutions of Intent to Impose 1996-97 RTS Charge, NDC									
Late January: Board Workshop on Recommended Water Rates									
February: Public Hearings on Proposed 1996-97 Water Rates and Charges									
March 11-12: Board Adopts 1996-97 Water Rates and Charges									
April 9: Public Hearing for Standby Charge									
May 13-14: Board Adopts Resolution to Impose 1996-97 Standby Charge									

EXHIBIT ATHE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIARESOLUTION 8488

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
GIVING NOTICE OF INTENTION TO IMPOSE
READINESS-TO-SERVE CHARGE**

WHEREAS, at its meeting on December 14, 1993, the Board of Directors ("Board") of The Metropolitan Water District of Southern California ("Metropolitan") approved the rate structure and additional revenue sources described in the Board letter on the Financial Structure Study dated December 1, 1993, including a readiness-to-serve charge, with implementation of these charges to begin in fiscal year 1995-96;

WHEREAS, providing firm revenue sources is a primary goal of such revenue structure;

WHEREAS, the amount of revenue to be raised by the readiness-to-serve charge shall be as determined by the Board and allocation of the readiness-to-serve charge among member public agencies shall be in accordance with the method established by the Board;

WHEREAS, Metropolitan has legal authority to impose such readiness-to-serve charge as a water rate pursuant to Section 134 of the Metropolitan Water District Act, as an availability of service charge pursuant to Section 134.5 of the Metropolitan Water District Act, and as a capital facilities fee pursuant to Section 54999.2 of the California Government Code;

WHEREAS, under authority of Sections 133 and 134 of the Metropolitan Water District Act, the Board has the authority to fix the rate or rates for water as will result in revenue which, together with other revenues, will pay Metropolitan's operating expenses and provide for payment of other costs, including payment of the interest and principal of Metropolitan's bonded debt;

WHEREAS, pursuant to Resolution 8329, adopted by the Board on July 9, 1991, proceeds of the readiness-to-serve charge and other revenues from the sale or availability of water are pledged to the payment of Metropolitan's outstanding revenue bonds issued and to be issued pursuant to Resolution 8329;

WHEREAS, under authority of Government Code Section 54999.2, Metropolitan may impose a capital facilities fee to pay the capital cost of facilities for the provision of water service;

WHEREAS, the readiness-to-serve charge is intended to recover the debt service, not paid from taxes, of expenditures for projects needed to meet the reliability and quality needs of existing users of Metropolitan's water;

WHEREAS, under authority of Section 134.5 of the Metropolitan Water District Act, a readiness-to-serve charge imposed as an availability of service charge may be collected from the member public agencies within Metropolitan, or may be imposed as the standby charge against individual parcels within Metropolitan;

WHEREAS, under such authority, the water standby charge may be imposed on each acre of land or each parcel of land less than an acre within Metropolitan to which water is made available for any purpose by Metropolitan, whether the water is actually used or not;

WHEREAS, certain member public agencies of Metropolitan have requested the option to provide collection of all or a portion of their readiness-to-serve charge obligation through a Metropolitan water standby charge imposed on parcels within those member agencies;

WHEREAS, Metropolitan may fix different standby charge rates for parcels situated within different member public agencies, and Metropolitan is willing to comply with the requests of member public agencies opting to have Metropolitan levy water standby charges within their respective territories, on the terms and subject to the conditions contained herein; and

WHEREAS, the provisions of the Uniform Standby Charge Procedures Act (USCPA), sections 54984-54984.9 of the Government Code, are available to any local agency authorized by law to provide water or water service, and authorized to fix, levy, or collect any standby or availability charge or assessment in connection with the provision of that service.

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 a reliable source of revenues less susceptible to seasonal and annual variation,

through imposition of a readiness-to-serve charge to be collected from the District's member public agencies.

Section 2. That said readiness-to-serve charge should be in an amount sufficient to provide for payment of the debt service, not paid from ad valorem property taxes, of capital expenditures for projects needed to meet the reliability and quality needs of existing users of the District's water.

Section 3. That such readiness-to-serve charge for July 1, 1996 through December 31, 1996, shall be a water rate equal to \$36.85 per acre-foot, and for January 1, 1997 through and including June 30, 1997 shall be a water rate equal to \$47.44 per acre-foot, which shall be charged on a historic basis for each acre-foot of water included in Metropolitan's average water deliveries to its member agencies for the two-fiscal year period ending June 30, 1995. The aggregate readiness-to-serve charge for the period from July 1, 1996 through and including December 31, 1996 shall be \$28,000,000, and for January 1, 1997 through and including June 30, 1997 shall be \$36,050,000.

Section 4. That in the alternative, and without duplication, the readiness-to-serve charge for the period from July 1, 1996 through and including December 31, 1996 shall be a capital facilities fee in the aggregate amount of \$28,000,000, and for January 1, 1997 through and including June 30, 1997 shall be a capital facilities fee in the aggregate amount of \$36,050,000, which shall be allocated as provided in Section 8 below.

Section 5. That this Board finds that the proposed readiness-to-serve charge is necessary for the purpose of financing construction costs of public utility facilities furnished by Metropolitan, and does not exceed the proportionate share of the cost of the public utility facilities of benefit to each person or property being charged, based upon the proportionate share of use of those facilities, as shown in the attached Engineer's Report.

Section 6. That in the alternative, and without duplication, the readiness-to-serve charge shall be an availability service charge pursuant to Section 134.5 of the Metropolitan Water District Act.

Section 7. That notice is hereby given to the public and 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 to be held March 12, 1996, on the General Manager's recommendation to impose a readiness-to-serve charge for fiscal year 1996-97.

Section 8. That the readiness-to-serve charge shall be allocated among the member public agencies in proportion to the average of Metropolitan water sales (in acre-feet) to each member public agency initially during the past two-fiscal year period ending June 30, 1995. Long-term seasonal storage service, cyclic storage, and direct groundwater replenishment deliveries and water taken under the one-time drought storage agreement, Cooperative Storage Program through April 12, 1994 and 1993 Demonstration Program will

be subtracted from the water sales calculation in the past two fiscal year period ending June 30, 1995. Long-term seasonal storage service water is defined as water that a member public agency leaves in storage past the end of the fiscal year through avoided production during a period of availability (normally October 1 through April 30). Metropolitan sales of reclaimed water under the Local Projects Program and groundwater under the Groundwater Recovery Program are not included in the readiness-to-serve charge water sales calculation. The allocation of the readiness-to-serve charge among member agencies is based on sales data recorded by Metropolitan and shall be conclusive in the absence of manifest error.

The amount of the readiness-to-serve charge proposed to be imposed on each member agency for fiscal year 1996-97 is as follows:

PROPOSED 1996-97 READINESS-TO-SERVE CHARGE

Member Agency	Acre-Feet	RTS Share	RTS Charge--6 months of \$56.0 million	RTS Charge-- 6 months of \$72.1 million	Total RTS Charge
Anaheim	16,782	1.10%	309,197	398,091	707,288
Beverly Hills	12,728	0.84%	234,505	301,925	536,429
Burbank	17,588	1.16%	324,047	417,210	741,257
Calleguas	85,036	5.60%	1,566,730	2,017,165	3,583,895
Central Basin MWD	65,355	4.30%	1,204,121	1,550,306	2,754,427
Chino Basin MWD	32,958	2.17%	607,229	781,807	1,389,035
Coastal	39,090	2.57%	720,206	927,266	1,647,472
Compton	3,986	0.26%	73,439	94,553	167,992
Eastern	48,708	3.21%	897,411	1,155,417	2,052,829
Foothill	7,259	0.48%	133,742	172,193	305,935
Fullerton	7,251	0.48%	133,595	172,003	305,598
Glendale	26,456	1.74%	487,434	627,571	1,115,004
Las Virgenes MWD	17,510	1.15%	322,610	415,360	737,970
Long Beach	42,539	2.80%	783,752	1,009,081	1,792,832
Los Angeles	215,438	14.18%	3,969,297	5,110,470	9,079,767
MWDOC	168,986	11.12%	3,113,451	4,008,568	7,122,019
Pasadena	10,691	0.70%	196,974	253,604	450,579
San Diego CWA	390,666	25.71%	7,197,753	9,267,107	16,464,859
San Fernando	138	0.00%	2,543	3,274	5,816
San Marino	1,327	0.09%	24,449	31,478	55,927
Santa Ana	11,917	0.78%	219,563	282,687	502,249
Santa Monica	4,652	0.31%	85,710	110,352	196,061
Three Valleys MWD	57,666	3.79%	1,062,456	1,367,913	2,430,369
Torrance	20,311	1.34%	374,216	481,803	856,020
Upper San Gabriel	7,529	0.50%	138,717	178,598	317,314
West Basin MWD	155,531	10.23%	2,865,552	3,689,398	6,554,950
Western MWD	51,633	3.40%	951,303	1,224,802	2,176,105
MWD	1,519,731	100.00%	\$28,000,000	36,050,000	64,050,000

Section 9. That the allocation of the readiness-to-serve charge among member agencies set forth in Section 8 above is consistent with the per-acre-foot water rates imposed pursuant to Section 3 above.

Section 10. That it is the intent of the Board that:

(a) For fiscal years 1996-97 and 1997-98, a member public agency's readiness-to-serve allocation will be based on the average of Metropolitan water deliveries to each member public agency during the two fiscal years prior to the most recent fiscal year then ended (i.e., for fiscal year 1996-97, the two-year period ending June 30, 1995; and for 1997-98, the two-year period ended June 30, 1996) .

(b) For fiscal year 1998-99, a member public agency's readiness-to-serve allocation will be based on the average of Metropolitan water deliveries to each member public agency during the past three fiscal year period ending June 30, 1997.

(c) For fiscal year 1999-2000 and thereafter, a member public agency's readiness-to-serve allocation will be based on the average of Metropolitan water deliveries to each member public agency during the four fiscal year period prior to the most recent fiscal year then ended.

(d) Long-term seasonal storage service, cyclic storage, Cooperative Storage Program, direct groundwater replenishment and contractual long-term storage water deliveries will be excluded from the readiness-to-serve calculation during the year of delivery but will be included in the year of use. Member public agencies shall indicate the amount and year in which the long-term seasonal storage service, cyclic storage, Cooperative Storage Program, direct groundwater replenishment and contractual long-term storage water deliveries are used within seven years, including the year in which the water was delivered. Member public agencies overlying a common groundwater basin shall be allowed to account for their purchases as a single, common purchaser; provided that member public agencies which elect to pool their purchases for purposes of the new demand charge calculation must also pool their purchases for purposes of the readiness-to-serve charge.

(e) Notwithstanding the foregoing, in no event would any member agency's readiness-to-serve charge allocation be based on less than fifty percent (50%) of the average of Metropolitan water deliveries to such member agency during the two fiscal year period ending June 30, 1994, as calculated by Metropolitan pursuant to Section 8 above. Such average for each member agency and its minimum readiness-to-serve allocation floor are:

	RTS (FY 92-93 and 93-94)	MINIMUM RTS FLOOR (AF)	RTS %
City of Anaheim	16,774	8,386.9	1.09%
City of Beverly Hills	12,786	6,393.2	0.83%
City of Burbank	19,581	9,790.4	1.27%
Calleguas MWD	87,069	43,534.3	5.67%
Central Basin MWD	64,260	32,130.0	4.18%
Chino Basin MWD	30,402	15,200.9	1.98%
Coastal MWD	38,915	19,457.5	2.53%
City of Compton	5,026	2,512.9	0.33%
Eastern MWD	49,621	24,810.5	3.23%
Foothill MWD	7,841	3,920.4	0.51%
City of Fullerton	7,669	3,834.4	0.50%
City of Glendale	26,456	13,228.0	1.72%
Las Virgenes MWD	17,592	8,796.2	1.15%
City of Long Beach	37,806	18,902.9	2.46%
City of Los Angeles	227,884	113,942.2	14.83%
MWD of Orange County	159,392	79,695.8	10.38%
City of Pasadena	10,166	5,083.2	0.66%
San Diego CWA	407,821	203,910.3	26.55%
City of San Fernando	211	105.4	0.01%
City of San Marino	1,327	663.5	0.09%
City of Santa Ana	12,145	6,072.6	0.79%
City of Santa Monica	5,017	2,508.6	0.33%
Three Valleys MWD	57,816	28,908.1	3.76%
City of Torrance	20,311	10,155.7	1.32%
Upper San Gabriel VA	8,925	4,462.6	0.58%
West Basin MWD	149,339	74,669.7	9.72%
Western MWD of Riverside	54,067	27,033.7	3.52%
ALL MEMBER AGENCIES	1,536,219	768,109.6	100.00%

(f) In no event will deliveries of Metropolitan water which are in excess of a member agency's new demand charge base (as described in Resolution 8465, adopted by this Board on January 10, 1995) also be used in calculating such member agency's readiness-to-serve charge allocation.

Section 11. That the proposed readiness-to-serve charge and the amount applicable to each electing member public agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report filed attached as Attachment 1 to this Resolution. The Engineer's Report, which forms the basis of the

readiness-to-serve charge, is on file and available for review by interested parties at Metropolitan's headquarters.

Section 12. That except as provided in Section 16 below with respect to any readiness-to-serve charge collected by means of a Metropolitan water standby charge, the readiness-to-serve charge shall be due monthly, quarterly or semiannually as agreed upon by Metropolitan and the member agency.

Section 13. That such readiness-to-serve charge may, at the request of any member agency which elected to utilize Metropolitan's standby charge as a mechanism for collecting its readiness-to-serve charge obligation in fiscal 1995-96, be raised by a Metropolitan water standby charge imposed upon land within Metropolitan's (and such member public agency's) service area to which water is made available by Metropolitan for any purpose, whether the water is actually used or not.

Section 14. That the rates of any standby charge proposed to be levied to collect all or a portion of a member public agency's readiness-to-serve charge, per acre of land, or per parcel of land less than an acre, as shown in the Engineer's Report, may vary by member public agency, and shall not exceed the amount of Metropolitan's 1995-96 standby charge for the member public agency. The proposed standby charge applicable to each electing member public agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report attached as Attachment 1 to this Resolution.

Section 15. That the proposed standby charge, per parcel or per acre, applicable to land within each electing member public agency as allocated in the Engineer's Report shall be as follows:

Proposed 1996-1997 Standby Charge

<u>Member Agency</u>	<u>Amount</u>
Anaheim	\$ 8.55
Beverly Hills	-0-
Burbank	14.20
Calleguas MWD	9.58
Central Basin MWD	10.44
Chino Basin MWD	7.59
Coastal MWD	11.60
Compton	8.92
Eastern MWD	6.94
Foothill MWD	10.28
Fullerton	10.71
Glendale	12.23
Las Virgenes MWD	8.03
Long Beach	12.16
Los Angeles	-0-
MWD of Orange Co.	10.09
Pasadena	11.73
San Diego CWA	11.51
San Fernando	7.87
San Marino	8.24
Santa Ana	7.88
Santa Monica	-0-
Three Valleys MWD	12.21
Torrance	12.23
Upper San Gabriel Valley MWD	9.27
West Basin MWD	-0-
Western MWD of Riverside Co.	9.23

Section 16. That the proposed water standby charge, if imposed, shall be collected on the tax rolls, together with the ad valorem property taxes which are levied by Metropolitan for the payment of pre-1978 voter-approved indebtedness. Any amounts so collected shall be applied as a credit against the applicable member agency's obligation to pay a readiness-to-serve charge. After such member agency's readiness-to-serve charge allocation is fully satisfied, any additional collections shall be credited to other outstanding obligations of such member agency to Metropolitan or future readiness-to-serve obligations of such agency. Notwithstanding the provisions of Section 12 above, any member agency requesting to have all or a portion of its readiness-to-serve charge obligation collected through standby charge levies within its territory as provided herein shall pay any portion not collected through net standby charge collections to Metropolitan within ninety days after June 30, 1997.

Section 17. That notice is hereby given to the public and 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 to be held March 12, 1996, on the General Manager's recommendation to impose a readiness-to-serve charge for fiscal year 1996-97 as provided in this Resolution. The Water Planning and Resources Committee of Metropolitan's Board will set a public hearing at which interested parties may present their views regarding the proposed readiness-to-serve charge prior to its regular March meeting pursuant to Section 4304(e) of Metropolitan's Administrative Code. Such hearing shall also satisfy the requirements of Section 4304(k) of the Administrative Code.

Section 18. That notice is hereby given to the public and 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 to be held May 8, 1996, on the General Manager's recommendation to impose a water standby charge for fiscal year 1996-97 under authority of Section 134.5 of the Metropolitan Water District Act and the USCPA on land within Metropolitan at the rates, per acre of land, or per parcel of land less than an acre, specified in Section 15 above.

Section 19. That the Board will meet in regular session at its meeting on April 9, 1996, to hold a public protest hearing at which interested parties may present their views regarding any proposed standby charges and the Engineer's Report. Any member of the public may submit a written protest or other comments either at a scheduled hearing or by mail to the Executive Secretary of The Metropolitan Water District of Southern California, at Post Office Box 54153, Los Angeles, California 90054-0153. All written protests and comments presented at the hearings or received by the Executive Secretary on or before April 9, 1996, which contain a description sufficient to identify the land owned by the landowner will be given due consideration by the Board before its final action on the proposed standby charge. The USCPA provides that if the Board receives written protests (which protests are not withdrawn at the time of determination by the Board) representing 40 percent of the parcels subject to the proposed standby charge, the matter must be tabled for at least one year. If the Board receives such protests representing 15 percent or more of the parcels subject to the proposed charge, the Board may still adopt the charge, but the charge will be ineffective until approved by a majority of the vote in a landowner election within the District.

Section 20. That it is the intent of the Board that the following lands shall be exempt from the water standby charge: (a) lands owned by the Government of the United States, the State of California, or by any political subdivision thereof or any entity of local government; (b) lands permanently committed to open space and maintained in their natural state that are not now and will not in the future be supplied water; (c) lands not included in (a) or (b) above, which the General Manager, in his discretion, finds do not now and cannot reasonably be expected to derive a benefit from the projects to which the proceeds of the water standby charge will be applied; and (d) lands within any member public agency, subagency, or city if the governing body of such public entity elects and commits to pay out of funds available for that purpose, in installments at the time and in the amounts established

by Metropolitan, the entire amount of the water standby charge which would otherwise be imposed upon lands within those public entities. The General Manager may develop and implement additional criteria and guidelines for exemptions in order to effectuate the intent expressed herein.

Section 21. That the General Manager shall establish and make available to interested applicants procedures for filing and consideration of applications for exemption from the water standby charge pursuant to subsections (b) and (c) of Section 20 above. All applications for such exemption and documents supporting such claims must be received by Metropolitan in writing on or before December 31, 1996. The General Manager is further directed to review any such applications for exemption submitted in a timely manner to determine whether the lands to which they pertain are eligible for such exemption and to allow or disallow such applications based upon those guidelines. The General Manager shall also establish reasonable procedures for the filing and timing of the appeals from his determination, pursuant to Section 22 below.

Section 22. That an Ad Hoc Committee of the Board shall be appointed by the Chairman of the Board for the purpose of considering, in the Committee's discretion, appeals from determinations by the General Manager to deny or qualify an application for exemption from the water standby charge pursuant to Section 20 above. The Ad Hoc Committee shall consider such appeals and make recommendations to the Board to affirm or reverse the General Manager's determinations. The Board shall act upon such recommendations and its decision as to such appeals shall be final.

Section 23. That no exemption from the water standby charge shall reduce the applicable member agency's readiness-to-serve charge obligation, nor shall any failure to collect, or any delay in collecting, any standby charges excuse or delay payment of any portion of the readiness-to-serve charge when due. All amounts collected as water standby charges pursuant to this Resolution shall be applied solely as credits to the readiness-to-serve charge of the applicable member agency, with any excess collections being carried forward and credited against other outstanding obligations of such member agency to Metropolitan.

Section 24. That in the event that the readiness-to-serve charge is determined to be an unauthorized or invalid availability of service charge by a final judgment in any proceeding at law or in equity, which judgment is not subject to appeal, or if the collection of the readiness-to-serve charge as an availability service charge shall be permanently enjoined and appeals of such injunction have been declined or exhausted, or if Metropolitan shall determine to rescind or revoke the readiness-to-serve charge, then no availability of service charge shall be imposed on any member agency until the procedures for collection of water standby charges by the applicable county have been completed (not including extraordinary procedures for collection of delinquent amounts, which the General Manager may waive on behalf of Metropolitan). Immediately upon revocation of the readiness-to-serve charge under these circumstances, any member agency which has not requested that Metropolitan impose a standby charge upon parcels of land within its territory as a means of collecting the readiness-to-serve charge shall be deemed to have made such request, and all readiness-to-

serve charges previously paid or to be paid by member agencies to Metropolitan shall be deemed to be cash payments in lieu of standby charges. Following collection of standby charges by the counties, the readiness-to-serve charge shall be reimposed for the remainder of the fiscal year and the uncollected portion shall be due and payable on the last business day of the fiscal year and shall become delinquent if not paid within ninety days.

Section 25. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 26. That this Board finds that the proposed readiness-to-serve charge and other charges provided in this Resolution are exempt from the provisions of the California Environmental Quality Act (CEQA) since they are rates and other charges which are for the purposes of meeting operating expenses; purchasing or leasing supplies, equipment or materials; meeting financial reserve needs and requirements; and obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, since they constitute the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or will have CEQA documentation in place prior to construction of any facility or facilities.

Section 27. That if any provision of this Resolution or the application to any member agency, property or person whatsoever is held invalid, that invalidity shall not affect other provisions or applications of this Resolution which can be given effect without the invalid portion or application, and to that end the provisions of this Resolution are severable.

Section 28. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by mailing or by publication.

Section 29. That 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.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on January 9, 1996.

Executive Secretary
The Metropolitan Water District
of Southern California

SBB:jb:gm

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**ENGINEER'S REPORT****PROPOSED PROGRAM TO LEVY READINESS-TO-SERVE CHARGES,
INCLUDING LOCAL OPTION FOR STANDBY CHARGES,
DURING FISCAL YEAR 1996-97**

January 1996

REPORT PURPOSE

The Metropolitan Water District of Southern California (Metropolitan) has built and is building 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 describe the water supply and delivery capital projects and programs, which provide benefits both locally and throughout the service area and will be financed in part by Metropolitan's proposed readiness-to-serve (RTS) charge, including a local option to collect the RTS charge through the levy of a Metropolitan standby charge within certain member agencies, and (2) to address the method and basis for levying a standby charge on benefiting properties.

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

The RTS charge will be imposed by Metropolitan on its member agencies to recover the debt service on bonds issued to finance capital facilities needed to maintain reliable service of good quality water to meet existing demands on Metropolitan's system. The standby charge may, if a member agency so chooses, be levied on parcels of land within Metropolitan's member agencies as a method of collecting part or all of the RTS charge obligation of the member agency containing the parcel. The RTS charge will partially pay for the value of the projects and programs described in this report.

The major source of Metropolitan's revenues is water sales. Ad valorem property taxes used to pay pre-1978 voter-approved indebtedness provide an additional limited revenue source. Major capital projects are financed largely by proceeds of revenue bond issues, which in turn are repaid over future years. These repayments are principally from water sales revenues. In December 1993, Metropolitan's Board of Directors approved a revenue structure that includes additional charges (including the RTS charge) to provide a more equitable method of allocating costs between existing and new demands, establish a commitment to Metropolitan's capital improvement program and provide revenue stability. The RTS charge and a charge to recover

debt service on projects required to meet anticipated new demands (the new demand charge) will provide for payment of debt service on revenue bonds. The standby charge is a mechanism for collection of the RTS charge to allow a member agency to more equitably allocate its RTS costs among its water users and other beneficiaries of its service.

BACKGROUND

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

Metropolitan imports supplemental water supplies for nearly 16 million residents in portions of six counties: Los Angeles, Orange, Ventura, Riverside, San Bernardino, and San Diego. In this 5,200-square mile service area, more than half of the water supplies are imported from the Colorado River and California's State Water Project (SWP). Metropolitan, a public agency, provides these water supplies as a supplement to local groundwater and surface water resources.

Growing Demand for Water

About one out of every two Californians lives in Metropolitan's service area. During the 1980's more than 300,000 people were added to the service area each year, as a result of a strong economy. And despite the severity of the recent economic recession, regional growth management plans project that Southern California's population will continue to grow by more than 200,000 people each year over the next 25 years -- increasing from the current 15.7 million to over 21.5 million by 2020. Based on this projected growth, regional water demands under normal weather conditions are expected to increase from the current 3.6 million acre-feet to 4.9 million acre-feet by 2020. Above-normal demands, under hot and dry weather conditions can be about seven to nine percent greater than normal-weather demands.

The ongoing competition for water to serve the urban, agricultural, and environmental needs of the Western states has resulted in the need to invest in infrastructure and operational improvement, to ensure the continued certainty of firm deliveries to Southern California from the Colorado River and the State Water Project. Coupled with the diverse and competing needs of locally developed water in the region, the problem of providing a reliable water supply becomes even more difficult.

If nothing is done to improve the region's water supply, future reliability could fall to 50 percent over the next fifteen to twenty years--meaning some type of water shortage could occur in every other year. This level of service would be devastating to Southern California's \$400 billion economy, affecting half the State's population and jobs. Many water providers, including Metropolitan, have been planning investments in projects and programs to address

future water needs for some time. What is needed is a coordinated and balanced regional response to growing demands.

METROPOLITAN'S RESPONSE TO GROWING WATER DEMANDS

Metropolitan and its member agencies embarked on a two and one-half year Integrated Resources Planning (IRP) process. The focus of the IRP process was to collectively examine all of the available resource options, both local and imported, together with conservation -- developing a least-cost plan that meets the reliability and quality needs of the region and, just as importantly, avoids redundant investments. The product of this intensive effort is a 25-year resources plan that offers a realistic means of achieving a reliable and affordable water supply for Southern California into the next century.

The major objective for the IRP was developing a comprehensive water resources plan that ensures: (1) reliability, (2) affordability, (3) water quality, (4) diversity of supply, and (5) adaptability for the region, while recognizing the environmental, institutional, and political constraints to resource development.

As part of the Integrated Resources Plan, 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 and potential 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 expenditures, include the State Water Project aqueduct system, the Eastside Reservoir Project, 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 local and also 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 participation in financing the construction of water recycling and groundwater recovery facilities, and conservation projects by local agencies. The water recycling and groundwater recovery programs provide new water supplies. The benefit of the water conservation program is the saving of existing water supplies. These programs have assisted in the construction of projects throughout the six-county area and benefit Metropolitan's water users both locally and system-wide.

STATE WATER PROJECT

The State Water Project (SWP) is a major water source for Metropolitan. Metropolitan, one of twenty-nine agencies that have contracts for water service with the Department of Water Resources, is entitled to over 2 million acre-feet of the total SWP entitlements of 4.2 million acre-feet. The SWP transports water directly from the Sacramento-San Joaquin Delta and Feather River water released from Oroville Dam that has traveled to the Delta, south via the California Aqueduct to Metropolitan's service area. Currently State Department of Water Resources (DWR) cannot meet all of its contractors' demands for SWP entitlement water in drought years. DWR is planning additional facilities to increase the reliability of SWP supplies.

In 1960, Metropolitan contracted with DWR to receive SWP supplies. Under this contract Metropolitan pays allocable portions of the construction and operation and maintenance costs of the system through at least year 2035, regardless of the quantities of project water Metropolitan takes.

One element that the proposed RTS charge could be utilized to pay is a part of Metropolitan's proportionate share of SWP capital costs. All Metropolitan member agencies benefit from SWP and State project water is distributed to existing consumers in all six counties within Metropolitan's service area. The potential benefit of the State Water Project in fiscal year 1996-97 is shown in Table 1.

EASTSIDE RESERVOIR PROJECT

The Eastside Reservoir Project, 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. This new reservoir will provide 800,000 acre-feet of storage capacity. Water from the Colorado River Aqueduct and SWP is scheduled for Eastside Reservoir Project storage and subsequent distribution throughout Metropolitan's service area.

Storage within Metropolitan's water system is vital to regulate fluctuating sources of supply, to meet varying customer demands, and to ensure water service during droughts and earthquakes. The water sources available to Metropolitan are subject to extended droughts and to interruption from earthquakes, since both the California Aqueduct and the Colorado River Aqueduct cross major faults. The reservoir will permit 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 reserve against shortages when supply sources are limited or disrupted. 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. The potential benefit of the Eastside Reservoir Project in fiscal year 1996-97 is shown in Table 1.

WATER RECYCLING PROGRAM

In 1981, Metropolitan initiated the Local Projects Program, which provides financial assistance to new local water recycling projects that reduce demands on imported supplies and thereby increase the total water resources available for the region. These projects recycle used water for non-potable uses, such as in industry and in irrigation of parks, greenbelts, cemeteries, and golf courses. In fiscal year 1996-97, 40 projects throughout the service area are projected to receive a financial incentive of \$154 per acre-foot from Metropolitan's Local Projects Program or higher payments of up to \$250 per acre-foot under the proposed Local Resources Program, and recycle approximately 68,000 acre-feet of water. In the future, the number of projects participating in the proposed Local Resources Program is expected to increase to meet the IRP year 2000 target of 194,000 acre-feet per year of production. An estimate of potential water recycling payments is given in Table 2.

WATER CONSERVATION PROJECTS

Metropolitan actively promotes water conservation programs within its service area as a realistic strategy for ensuring the long-term reliability of supplies. Every gallon of water conserved is a gallon that need not be acquired, transported, or treated. Through programs such as the Conservation Credits Program and other creative financing mechanisms, Metropolitan reimburses local agencies for a share of their costs of implementing conservation projects. Over the past three years, Metropolitan has spent almost \$50 million co-participating in local conservation projects, and more than \$80 million has been spent regionally.

In 1991, Metropolitan and many other urban water agencies in California agreed to implement conservation "Best Management Practices" (BMPs). By signing the Memorandum of Understanding Regarding Urban Water Conservation in California, these agencies committed to implement proven and reliable water conserving technologies and educational programs for conservation within their jurisdictions. The BMPs represent a giant step forward in uniting urban areas in reducing consumption through improved management of existing water supplies and cost-effective implementation of water-saving technology and water-wise policy.

Metropolitan's Conservation Program represents one of the largest financial commitment to water conservation practices in the nation. The program is both comprehensive and flexible in addressing residential, commercial, industrial, institutional, and landscape water use. In fiscal year 1996-97, conservation measures are expected to reduce urban water demand in the service area by 398,000 acre-feet. By 2010, it is estimated that conservation practices will save 737,000 acre-feet, reducing total water demand by 15 percent. Conservation is a critical element of Metropolitan's demand management program, effectively increasing the reliability of existing water supplies and lessening the need to import additional water. An estimate of potential water conservation benefits is given in Table 2.

GROUNDWATER RECOVERY PROGRAM

In 1987, it was estimated that 80,000 acre-feet of annual groundwater production within Metropolitan's service area was unusable because of mineral or organic contamination. More recently, it was found that 16 million acre-feet of minerally degraded water that is otherwise usable resides in the groundwater basins serving Metropolitan's member agencies. In addition, the dependable groundwater supplies in the region are threatened by spreading of mineral and organic constituents.

Because of the value of the region's groundwater resources, Metropolitan's Groundwater Recovery Program was established. Under this program, Metropolitan promotes development of groundwater by offering financial incentives to its member agencies to recover and treat contaminated supplies.

Projects currently authorized under Metropolitan's Groundwater Recovery Program are expected to recover about 11,500 acre-feet in FY 96-97. To meet this goal, additional replenishment from imported and recycled water sources will be required to sustain basin production levels for some projects. An estimate of potential payments of groundwater recovery projects is given in Table 2.

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 to increase dependable water supplies, provide alternative system delivery capacity, and enhance system operations. It also includes projects to upgrade obsolete facilities or equipment, or to rehabilitate or replace spent facilities or equipment. These projects are needed to enhance system operations, comply with new regulations, and maintain a reliable distribution system. A list of distribution system improvement projects is given in Table 3.

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 payment 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's coastal plains, but for replacement and capital improvement.

The increased reliance on highly variable water sales revenue increases the probability of substantial rate swings from year to year mainly 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 and new growth.

READINESS-TO-SERVE CHARGE

The RTS charge is a component of the rate structure intended to recover costs associated with water supply and system reliability, and water quality for existing users. The estimated potential benefits that could be paid by an RTS charge are shown in Table 1. Potential benefits are estimated to be \$231,473,000 in fiscal year 1996-97.

Although the RTS charge could be set to recover the entire potential benefit amount, the General Manager is recommending that the RTS charge only recover the principal and interest payments on non-tax supported debt service that has been or will be issued to fund capital improvements associated with meeting the reliability and quality needs of existing users. For fiscal year 1996-97, this is estimated to be \$72,100,000 (System Improvements plus Eastside Reservoir Project). The capital projects considered for the RTS charge are shown in Table 3. Allocations of in-progress capital projects to existing and future users are discussed in the "Nexus Study in Support of Metropolitan's New Demand Charge," January 1995. These funds, when melded with Metropolitan's overall financial resources, will result in greater rate stability in water rates for all users throughout the Metropolitan service area.

The RTS charge for fiscal year 1996-97 is allocated to each member agency on the basis of a two-year rolling average of historic water purchases from Metropolitan, including sales for consumptive demands, agriculture, and storage. Basing the charge on historic usage encourages water management practices and more equitably apportions the charges. The RTS charge for each member agency is shown in Table 4. The RTS charge ensures that all member agencies pay a share of the fixed costs to meet their reliability and quality needs.

STANDBY CHARGE OPTION

Metropolitan's standby charge is authorized by the State Legislature. It represents an acknowledgment that ad valorem property taxes and revenues from water rates and charges imposed on Metropolitan's member agencies do not necessarily represent the fairest and most equitable way of recovering debt service for capital improvements from benefiting properties.

The advantage of the standby charge is that it recognizes that there are economic benefits to lands that have access to a water supply, whether or not such lands are using it. The charge transfers from water rates and ad valorem taxes some of the burden of maintaining the capital infrastructure for a water system to all the benefiting properties within the service area. There is much unimproved land that enjoys the benefits of belonging to Metropolitan and has legal access to water. A fraction of the value of this benefit and of the cost of providing it can be effectively recovered, in part, through the imposition of a standby charge. The projects to be supported in part by a standby charge are those projects that are of both local and Metropolitan-wide benefit to existing water users, as well as current landowners. The estimated

potential benefits system-wide are several times the amounts to be recovered by means of the standby charge.

Standby charges will be levied by Metropolitan only within the areas served by member agencies which requested that standby charges be utilized as a means of collecting that agency's RTS obligation. Under the local option to levy standby charges during fiscal year 1996-97, the standby charge for each acre or parcel of less than an acre will vary from member agency to member agency, as permitted under the legislation establishing Metropolitan's standby charge. The charge for each member agency requesting to use this option will be based on Metropolitan's fiscal year 1995-96 standby charge for such member agency.

The estimated potential benefits of Metropolitan's water supply program, that could be paid by a standby charge, is approximately \$231,473,000 for fiscal year 1996-97, as shown in Table 1. An average total standby charge of \$44.41 per acre of land or per parcel of less than one acre would be necessary to pay for the total potential program benefits. Table 5 shows that the distribution of standby charge revenues from the various counties and agencies would provide a net revenue flow of approximately \$42 million for fiscal year 1996-97. This total amount is less than projected collections from the RTS charge. Metropolitan will use other revenue sources, such as water sale revenues, new demand charge revenues, ad valorem taxes, readiness-to-serve charge revenues (except to the extent collected through standby charges, as described above), interest income, and revenue from sales of hydroelectric power, to pay for the remaining program benefits. Thus, the benefits of Metropolitan's water supply and delivery capital program far exceed the recommended standby charge.

EQUITY

The RTS charge is a firm revenue source from Metropolitan's perspective. The revenues to be collected through this charge will not vary with sales volumes. This charge ensures that agencies which only occasionally purchase water from Metropolitan but receive the reliability benefits of Metropolitan's system pay a greater share of the costs to provide that reliability. Within member agencies that elect to pay the RTS charge through Metropolitan's standby charges, the standby charge results in lower water rates than would otherwise be necessary due to the amount of revenue collected from lands which benefit from the availability of Metropolitan's water supply. With the standby charge, these properties are now contributing a more appropriate share of the cost of producing and supplying water to Southern California.

Metropolitan's water supply program increases the availability and reliable delivery of water throughout Metropolitan's service area. Increased water supplies benefit existing consumers and land uses through direct deliveries to consumer taps and properties, and through the replenishment of groundwater basins and reservoir storage as reserves against shortages due to droughts, natural emergencies, or scheduled facility shut-downs for maintenance. The benefits of reliable water supplies from the State Water Project, Colorado River, Eastside Reservoir Project, and system improvements accrue to more than 250 cities and communities within Metropolitan's six-county service area. Metropolitan's regional water system is interconnected, so water supplies from the State Project and Eastside Reservoir Project can be used interchangeably

throughout most of the service area and benefit water users and properties system-wide uniformly.

Additional Metropolitan deliveries required in the coming fiscal year due to the demands of property development will be reduced by the implementation of water management projects, including water conservation, water recycling, and groundwater recovery projects. As with the State Water Project supplies and infrastructure improvements, these water management projects are essential in increasing the future reliability of water supplies and provide system-wide benefits by increasing the amount of imported water available to serve all other areas. However, the abilities of each member agency to implement these projects under Metropolitan's financial assistance programs vary and are generally represented by the historic use of imported Metropolitan water.

A major advantage of a firm revenue source, such as a RTS charge, is that it contributes to revenue stability during times of drought or low water sales. It affords Metropolitan additional security, when borrowing funds, that a portion of the revenue stream will be unaffected by drought or by rainfall. This security will help maintain Metropolitan's historically high credit rating, which results in lower interest expense to Metropolitan, and therefore, lower overall cost to the residents of its service area.

SUMMARY

The foregoing and the attached tables describe the current benefits provided by the projects listed as mainstays to the water supply system for Metropolitan's service area. Benefits are provided to both water users as well as property. The projects represented by this report provide both local benefits as well as benefits throughout the entire service area. It is recommended, for fiscal year 1996-97, that the RTS charge be imposed with an option for local agencies to request that a standby charge be imposed on lands within Metropolitan's service area as a credit against such member agency's readiness-to-serve charge, up to the standby charge per acre or parcel of less than one acre levied by Metropolitan within the applicable member agency for fiscal year 1995-96. The maximum standby charge would not exceed \$15 per acre of land or per parcel of less than one acre. The benefits described in this Engineer's Report far exceed the recommended charge. A listing of all parcels in the service area and the proposed 1996-97 standby charge for each is found on the report entitled "Metropolitan Water District Proposed Standby Charge Report — Tax Year 1996-97" which is incorporated herein by reference.

TABLE 1

**ESTIMATED DISTRIBUTION OF BENEFITS OF WATER SUPPLY
PROGRAM THAT COULD BE PAID BY RTS CHARGE**

Water Supply Program	Estimated Potential Program Benefits FY 1996-97	\$ Per Acre or \$ Per Parcel Less Than 1 Acre
Capital Payments to State Water Project (Less Portion Paid by MWD Taxes)	\$121,157,000	\$23.25
Water Storage to Offset Existing Water Shortages--Eastside Reservoir Project	\$28,300,000	\$5.43
Water Recycling, Groundwater Recovery, and Water Conservation Projects	\$38,216,000	\$7.33
System Improvements	\$43,800,000	\$8.40
TOTAL	\$231,473,000	\$44.41
	Estimated Revenue Payment To Fund Benefits FY 1996-97	
Estimated Sources of Revenue		
Water Sales Revenues, Ad Valorem Taxes Interest Income, Sales of Hydroelectric Power	\$159,373,000	
RTS Charge Revenue	\$72,100,000	
TOTAL	\$231,473,000	

TABLE 2

**WATER RECYCLING, GROUNDWATER RECOVERY
AND CONSERVATION PROJECTS**

Project Name	F.Y. 1996-97 Payment
Water Recycling Projects	\$14,407,000
Arlington Basin Groundwater Desalter Project	
Burbank Reclaimed Water System Expansion Project	
Calabasas Reclaimed Water System Expansion	
Century Reclamation Program	
Cerritos Reclaimed Water Expansion Project	
Eastern Regional Reclaimed Water System	
Encina Basin Water Reclamation Project Phase I	
Encina Water Pollution Control Facility Reclamation Project	
Escondito Regional Reclaimed Water Project	
Fallbrook Reclamation Project	
Glendale Water Reclamation Expansion Project	
Glendale Verdugo-Scholl Canyon Reclaimed Water Project	
Glendale Brand Park Reclaimed Water Project	
Glenwood Nitrate Water Reclamation Project	
Green Acres Reclamation Project	
Irvine Ranch Reclamation Project	
Lakewood Water Reclamation Project	
Las Virgenes Reclamation Project	
Long Beach Reclamation Project	
Los Angeles Greenbelt Project	
Moulton Niguel Water Reclamation Project	
North City Water Reclamation Project	
Oak Park/North Ranch Reclaimed Water Distribution System	
Oceanside Water Reclamation Project	
Otay Water Reclamation Project	
Padre Dam Reclaimed Water System Phase I	
Rancho California Reclamation Expansion Project	
Rancho Santa Fe Reclaimed Water System	
Rio Hondo Water Reclamation Program	
San Clemente Water Reclamation Project	
San Pasqual Water Reclamation Project	
Santa Margarita Water Reclamation Expansion Project	
Ramona/Santa Maria Water Reclamation Project	
Sepulveda Basin Water Reclamation Project	
Shadowridge Water Reclamation Project	
South Laguna Reclamation Expansion Project	
South Laguna Reclamation Project	
Trabuco Canyon Reclamation Expansion Project	
Walnut Valley Water Reclamation Expansion Project	
West Basin Water Reclamation Project	
Groundwater Recovery Projects	\$4,488,000
Oceanside Desalter (No. 1)	
Burbank Lake Street Plant	
West Basin (No. 1)	
Tustin Desalter Project	
Santa Monica GW Treatment Plant	
Conservation Projects	\$19,321,000
Ultra-low-flush Toilet Retrofits	
Showerhead Retrofits	
Landscape Water Conservation	
Commercial and Industrial Water Evaluations and Retrofits	
Water and Energy Conservation Partnership	
Distribution System Leak Detection and Repair	
Indoor and Outdoor Residential Water Audits	
Governmental and Institutional Water Audits	
Conservation Pricing Pilot Program and Studies	
Pilot Projects for "Potential" Best Management Practices	
Total	\$38,216,000

TABLE 3

DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS

Distribution System Improvement
All Plants - Replace Power Supply System
All Plants - Replace Water Flowmeter Instruments
All Pump Plants 230KV External Heat Exchangers
Allen-McColloch Pipeline Purchase
Auld Valley Pipeline #1
Box Springs Feeder - Schedule 316
Central Pool Augmentation Project
Centralized Control System - Eagle Rock Area
Centralized Control System - General Design
Centralized Control System - Hdqtrs Monitoring
Chemical Unloading Facility
Chino Basin Groundwater Storage Program
Chlorination Structure - Foothill Feeder
Chlorination System at Reservoirs
Colorado River Aqueduct - Gene Plant Heat Exchanger
Colorado River Aqueduct - Hinds Pump Plant, Modify Pump Impeller
Colorado River Aqueduct - Install Water Level Alarm System
Colorado River Aqueduct - Modification of Blowoff Structure
Colorado River Aqueduct - Replace Circuit Breakers
Colorado River Aqueduct - Replace Gene Pump Plant Station Service
Colorado River Aqueduct - Replace Transformer Bank No. 1
Colorado River Aqueduct - Water Storage
Colorado River Aqueduct - Intake Pump Plants, Replace Sta Service
Desalination Demonstration Project
Distribution System - Replace Flowmeter Instruments
District Reservoirs - Aqueous Ammonia Feed
Dist. System Improvements - Chemical Unloading
Eagle Mountain, Hinds - Service Facilities
Eagle Mountain, Hinds - Modify Pumps
Eagle Mountain, Hinds - Pump Modifications
Eagle Mountain, Hinds Rehabilitate 2 Main Transformer
Eagle Mountain, Hinds - Replace Vibration Monitors
East Valley Feeder - Relocate at Hollywood
East Valley Feeder - Structural Modifications
Enlarge Foothill Feeder Control Structure
Enlargement of Chemical Unloading Facility
Etiwanda Pipeline
Foothill Area Study
Foothill Feeder - Devil Canyon Power Plant
Foothill Feeder - Rialto Pipeline
Foothill Feeder - San Dimas Facilities
Foothill Feeder - San Fernando Tunnel
Foothill Feeder - San Fernando Tunnel
Garvey Reservoir Junction Structure
Garvey Reservoir Junction Structure - Replace Valves
Garvey Reservoir - Floating Cover
Garvey Reservoir - Inlet & Outlet Conduit
Garvey Reservoir - Junction Structure

DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS

Distribution System Improvement
Garvey Reservoir - Modify Desilting Basins
Gene Pump Plant - Mechanical Maintenance Shop
Gene Pump Plant - Replace 230KV Circuit Breaker
Gene Pump Plant - Replace Power Cable
Gene Pumping Plants - Testing Lab Addition
Hinds - Rehabilitation Bank 1 Main Transformer
Hinds - Replace 230V Circuit Breakers
Inland Feeder R/W (BSF, Lakeview, SD 4 & 5)
Inland Feeder System - Perris Control Facility
Inland Feeder
Install Chlorine & Ammonia Analyzers
Intake Pumping Plant - Replace Standby Generator
La Verne Facility - Machine Shop
La Verne Facility - Maintenance Shop
La Verne Facility - Modifications
La Verne Facility - Paint Drying Facility
La Verne Facility - Replace Machine Shop
La Verne Facility - Wheeler Ave Entrance
La Verne Maintenance Facility Expansion
Lake Mathews - Chlorination Facility
Lake Mathews - Control Tower - Replace Valves
Lake Mathews - Dike #1 - Install Piezometers
Lake Mathews - Forebay Outlet Structure
Lake Mathews - Outlet Tower - Maintenance
Lake Mathews - Domestic Water System
Lake Mathews - Electrical System
Lake Mathews - Lumber Storage Building
Lake Mathews - Propane Storage Tank
Lake Mathews - Rehabilitate Electrical System
Lake Mathews - Replace Electrical Service
Lake Mathews - Replace Howell-Bunger Valve
Lake Mathews - Replace Southerly Security Fence
Lake Mathews - Seepage Alarms
Lake Perris Bypass Pipeline
Lake Perris Bypass Pipeline
Lake Perris Pumpback Expansion
Lake Perris Pumpback Facility
Lake Skinner
Lake Skinner - Install Aeration System
Lake Skinner - Propane Storage Tank
Lake View Pipeline - Install Cathodic Protection
Live Oak Reservoir - Foothill Feeder System
Live Oak Reservoir - Improvements
Lower Feeder - Relocation in Imperial Hwy
Lower Feeder - Replace/Protect Imperial Highway
Mathews & Diemer - Modify Chlorine Tanks
Microwave Communication System
Microwave Communication System - ROW

TABLE 3 (CONTINUED)

DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS

Distribution System Improvement
Mills Filtration Plant - Service Connection
Minor Capital Improvements - Fiscal Year '75-'76
Minor Capital Improvements - Fiscal Year '76-'77
Minor Capital Projects - Fiscal Year '74-'75
Modifications of Lab and Storage Building
Modify Control System
Morris Dam - Enlarge Spillway Facility
Morris Dam - Seismic Stability Reanalysis
MWD Share Design & Construction LA-35
North Las Posas Basin Groundwater Storage Program
Oak St Pressure Control Station - Valve Replacement
OC Reservoir - Modify Electrical Control Center
Orange County Feeder Relocation
Orange County Feeder - Pressure Relief Structure
Orange County Feeder - Relocation at Kimber
Orange County Feeder - Service Connection PM-1
Orange County Reservoir - Floating Cover
Orange County Reservoir - Replace Chlorination Equipment
PABX Communication System
Palos Verdes Feeder - Modifications of L.A. City
Palos Verdes Feeder - Relocation (MWD's Portion)
Palos Verdes Feeder - Washington
Palos Verdes Reservoir - Bypass Pipelines
Pasadena Groundwater Storage Program
Pump Plants - Rehabilitate Main Pumps
Pump Plants - Rehabilitate Main Pumps
Pumping Plants - Replace Recorders
Replace 75 Underground Storage Tanks
Replace Flowmeters on Service Connections
Rialto Pipeline - Delivery Facilities
San Diego Aqueduct Rep San Jacinto
San Diego Canal Enlarge Phase 2
San Diego Pipe #5 - Schedule SD-17
San Diego Pipeline Nos. 2, 3 - Modifications
San Diego Pipeline No. 5 Schedule SD-16
San Diego Pipeline No. 6
Santa Ana River Crossing - Seismic
Santa Monica Feeder - Modify Control Structure
Santa Monica Feeder - Modify Service Connection
Santa Monica Feeder - Service Connection Betterment
Sepulveda Feeder System, West Valley Feeder No. 2
Sepulveda Feeder System - Calabasas Feeder
Sepulveda Feeder - Balboa Inlet
Sepulveda Feeder - Sepulveda Canyon Control
Skinner Filtration Plant - Area Maintenance Center
Soto Street Maintenance Center - Propane Storage
South (Orange) County Pipeline - Joint Participation & Purchase
Supervisory Control of Copper Basin Facility

DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS

Distribution System Improvement	
Upgrading Communication System	
West Orange County Feeder - Relocation	
West Valley Area Study	
West Valley Feeder No. 1 - Modification of Struct	
West Valley Feeder No. 1 - Modifications	
West Valley Feeder No. 2	
West Valley Feeder No. 2	
White Water Siphon Delivery Structure	
Yorba Linda Feeder	
Yorba Linda Feeder Schedule 150	
Yorba Linda Feeder - Tonner Tunnels	
Other System Reliability/Rehabilitation Projects	
Estimated Fiscal Year 1996-97 Benefit	\$43,800,000

TABLE 4
FISCAL YEAR 1996-97
READINESS-TO-SERVE CHARGE
ESTIMATED REVENUE

Member Agency	Total RTS Charge
Anaheim	796,182
Beverly Hills	603,849
Burbank	834,421
Calleguas	4,034,329
Central Basin MWD	3,100,612
Chino Basin MWD	1,563,613
Coastal	1,854,531
Compton	189,106
Eastern	2,310,834
Foothill	344,386
Fullerton	344,006
Glendale	1,255,142
Las Virgenes MWD	830,720
Long Beach	2,018,161
Los Angeles	10,220,940
MWDOC	8,017,136
Pasadena	507,209
San Diego CWA	18,534,213
San Fernando	6,547
San Marino	62,956
Santa Ana	565,374
Santa Monica	220,703
Three Valleys MWD	2,735,825
Torrance	963,607
Upper San Gabriel	357,195
West Basin MWD	7,378,796
Western MWD	2,449,604
MWD	\$ 72,100,000

TABLE 5

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**FISCAL YEAR 1996-97
STANDBY CHARGE
ESTIMATED REVENUE**

Member Agencies	Total Parcel Charge	Number Of Parcels Or Acres	Gross Revenues (Dollars)
Beverly Hills			
Burbank	14.20	28,254	401,213.22
Central Basin MWD	10.44	339,581	3,545,226.26
Compton	8.92	18,043	160,939.71
Foothill MWD	10.28	30,307	311,555.66
Glendale	12.23	44,474	543,922.93
Las Virgenes MWD	8.03	65,878	529,001.80
Long Beach	12.16	88,669	1,078,219.80
Los Angeles			
Pasadena	11.73	36,576	429,038.78
San Fernando	7.87	5,152	40,546.93
San Marino	8.24	4,969	40,945.57
Santa Monica			
Three Valleys MWD	12.21	152,071	1,856,784.82
Torrance	12.23	37,881	463,283.36
Upper San Gabriel Valley MWD	9.27	208,736	1,934,981.66
West Basin MWD			
Los Angeles County Total		1,060,592	11,335,660.50
Anaheim	8.55	67,231	574,828.83
Coastal MWD	11.60	87,172	1,011,192.48
Fullerton	10.71	32,902	352,381.50
MWD of Orange County	10.09	579,040	5,842,512.00
Santa Ana	7.88	53,705	423,197.10
Orange County Total		820,050	8,204,111.91
Eastern MWD	6.94	379,448	2,633,367.24
Western MWD of Riverside Co.	9.23	354,383	3,270,951.06
Riverside County Total		733,830	5,904,318.30
Chino Basin MWD	7.59	218,125	1,655,566.95
San Bernardino County Total		218,125	1,655,566.95
Calleguas MWD	9.58	255,628	2,448,914.58
Ventura County Total		255,628	2,448,914.58
San Diego CWA	11.51	1,070,363	12,319,878.04
San Diego County Total		1,070,363	12,319,878.04
TOTAL	10.07	4,158,588	41,868,450.28

- Notes:
- The revenues are only an estimate. Actual revenue collected could be less than projected due to tax payment delinquencies.
 - A record of the proposed 96-97 charge for every parcel in the Metropolitan service areas is available in the reference document "Metropolitan Water District Proposed Assessments Report - Tax Year 96-97."

EXHIBIT BTHE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIARESOLUTION 8489

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
GIVING NOTICE OF INTENTION TO IMPOSE
NEW DEMAND CHARGE**

WHEREAS, at its meeting on December 14, 1993, the Board of Directors ("Board") of The Metropolitan Water District of Southern California ("Metropolitan") approved the rate structure and additional revenue sources described in the Board letter on the Financial Structure Study dated December 1, 1993, including a new demand charge, with implementation of these charges to begin in fiscal year 1995-96;

WHEREAS, providing firm revenue sources is a primary goal of such revenue structure;

WHEREAS, the amount of revenue to be raised by the new demand charge shall be as determined by the Board and allocation of such charge among member public agencies shall be in accordance with the method established by the Board;

WHEREAS, Metropolitan has legal authority to impose such new demand charge as a water rate pursuant to Section 134 of the Metropolitan Water District Act, as a capital facilities fee pursuant to Section 54999.2 of the California Government Code and as an availability of service charge pursuant to Section 134.5 of the Metropolitan Water District Act;

WHEREAS, under authority of Sections 133 and 134 of the Metropolitan Water District Act, the Board has the authority to fix the rate or rates for water as will result in revenue which, together with other revenues, will pay Metropolitan's operating expenses and provide for payment of other costs, including payment of the interest and principal of Metropolitan's bonded debt;

WHEREAS, pursuant to Resolution 8329, adopted by the Board on July 9, 1991, proceeds of the readiness-to-serve charge, new demand charge and other revenues from

the sale or availability of water are pledged to the payment of Metropolitan's outstanding revenue bonds issued and to be issued pursuant to Resolution 8329;

WHEREAS, under authority of Government Code Section 54999.2, Metropolitan may impose a capital facilities fee to pay the capital cost of facilities for the provision of water service;

WHEREAS, the new demand charge is intended to recover the debt service of expenditures for projects needed to satisfy anticipated new demands on Metropolitan, as shown in the Nexus Study dated January 1995, prepared by Metropolitan in support of the new demand charge; and

WHEREAS, under authority of Section 134.5 of the Metropolitan Water District Act, an availability of service charge may be collected from the member public agencies within Metropolitan.

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 Metropolitan to develop firm net revenues, exclusive of ad valorem property taxes, through imposition of a new demand charge on all sales representing new demands on Metropolitan, as described below, to be collected from Metropolitan's member public agencies.

Section 2. That such new demand charge should be in an amount sufficient to provide for payment of the debt service, not paid from ad valorem property taxes, of capital expenditures for projects needed to serve anticipated increases in demands on Metropolitan.

Section 3. That such new demand charge for 1995-96 shall be a water rate of \$1,000 per acre-foot for all new demands by a member agency on Metropolitan, determined as provided in Section 8 below.

Section 4. That in the alternative, and without duplication, the new demand charge shall be a capital facilities fee in the amount of \$1,000 per acre-foot of new demand on Metropolitan, determined as provided in Section 8 below.

Section 5. That this Board finds that the proposed new demand charge is necessary for the purpose of financing construction costs of public utility facilities furnished by Metropolitan, and does not exceed the proportionate share of the cost of the public utility facilities of benefit to each person or property being charged, based upon the proportionate share of use of those facilities.

Section 6. That in the alternative, and without duplication, the new demand charge shall be an availability service charge pursuant to Section 134.5 of the Metropolitan Water District Act.

Section 7. That notice is hereby given to the public and 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 to be held March 12, 1996, on the General Manager's recommendation to impose a new demand charge of \$1,000 per acre-foot of water on all sales representing new demands on Metropolitan in fiscal year 1996-97. The Water Planning and Resources Committee of Metropolitan's Board will set a public hearing at which interested parties may present their views regarding the proposed new demand charge prior to its regular March meeting pursuant to Section 4304(c) of Metropolitan's Administrative Code.

Section 8. That the new demand charge shall be incurred by a member public agency when the average of the member public agency's purchases (in acre feet) from Metropolitan in the four most recent years, including fiscal year 1996-97, after adjustment for long-term storage water, exceed such member agency's new demand charge base. Long-term seasonal storage deliveries, seasonal storage deliveries during May through September 1993 and May and June 1994, cyclic storage, direct groundwater replenishment deliveries, and water taken under one-time drought storage agreements, Cooperative Storage Program through April 12, 1994, and the 1993 Demonstration Program are subtracted from the water sales calculation through the fiscal year period ending June 30, 1994. Beginning with fiscal year 1994-95, long-term seasonal storage service water is defined as water that a member public agency leaves in storage past the end of the fiscal year through avoided production during a period of availability (normally October 1 through April 30). Long-term seasonal storage service, cyclic storage, Cooperative Storage Program, direct groundwater replenishment and contractual long-term storage water deliveries will be excluded from the new demand charge calculation during the year of delivery but will be included in the year of use. Member public agencies shall indicate the amount and year in which the long-term seasonal storage service, cyclic storage, Cooperative Storage Program, direct groundwater replenishment and contractual long-term storage water deliveries are used within seven years, including the year in which the water was delivered. Member public agencies overlying a common groundwater basin shall be allowed to account for their purchases as a single, common purchaser; provided that member public agencies which elect to pool their purchases for purposes of the readiness-to-serve charge calculation must also pool their purchases for purposes of the new demand charge. Metropolitan sales of reclaimed water under the Local Projects Program and groundwater under the Groundwater Recovery Program shall not be included in the new demand charge calculation.

Section 9. That each member public agency's new demand charge base (in acre-feet) will be determined on the largest of three averages: 1) the average of its purchases from Metropolitan in the three fiscal years 1989-90 through 1991-92, excluding one-time drought storage sales; 2) the average of its purchases from Metropolitan in the four fiscal years 1989-90 through 1992-93, excluding one-time drought storage agreement sales and long-term seasonal storage deliveries attributable to May and June 1993; or 3) its readiness-to-serve charge allocation for fiscal year 1995-96. Each member public agency's new demand charge base is as follows:

New Demand Charge Base

<u>Member Agency</u>	<u>Base Amount (AF)</u>
Anaheim	24,944
Beverly Hills	13,614
Burbank	20,446
Calleguas MWD	99,025
Central Basin MWD	115,834
Chino Basin MWD	76,265
Coastal MWD	41,441
Compton	5,026
Eastern MWD	55,603
Foothill MWD	9,610
Fullerton	12,262
Glendale	26,456
Las Virgenes MWD	18,525
Long Beach	42,539
Los Angeles	358,504
MWD of Orange Co.	243,828
Pasadena	22,638
San Diego CWA	559,247
San Fernando	903
San Marino	1,327
Santa Ana	15,840
Santa Monica	8,889
Three Valleys MWD	69,664
Torrance	20,311
Upper San Gabriel MWD	71,899
West Basin MWD	167,634
Western MWD of Riverside Co.	78,177
TOTAL	2,180,451

Section 10. That this Board finds and determines that such new demand charge base is a reasonable approximation of each member agency's current demands on Metropolitan's system. The calculation of the new demand charge base is based on sales data recorded by Metropolitan and shall be conclusive in the absence of manifest error.

Section 11. That upon payment of any new demand charge by a member agency, that member agency's new demand charge base shall be increased by an amount equal to the quantity of water on which the new demand charge was paid.

Section 12. That the new demand charge shall be incurred upon Metropolitan's determination that a member agency's historic average deliveries of Metropolitan water in the immediately preceding four fiscal years have exceeded such member agency's new demand charge base. The determination of new demand charges for Metropolitan water delivered in 1995-96 shall be made early in fiscal year 1996-97. In no event shall a new demand charge be incurred for water delivered in any year after 1994-95 if in such year the member agency has not purchased Metropolitan water in an amount at least equal to its initial new demand charge base.

Section 13. That such new demand charge shall be due and payable in the fiscal year following the year in which Metropolitan determines that the new demand charge has been incurred. Such new demand charge may be paid, without penalty, in equal monthly installments over a period of up to fifteen (15) years, provided that amounts subject to deferred payment shall bear interest at a rate determined by Metropolitan (which shall be equal to Metropolitan's weighted average cost of funds at the time of such determination), from the date due until payment is received by Metropolitan.

Section 14. That the new demand charge and the new demand charge base for each member public agency, the method of its calculation, and the project costs, cost allocations and other data used in its determination are as specified in the Nexus Study on file and available for review by interested parties at Metropolitan's headquarters.

Section 15. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 16. That this Board finds that the proposed new demand charge is exempt from the provisions of the California Environmental Quality Act (CEQA) since it constitutes the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment or which will be used to fund projects which have CEQA documentation or which will have CEQA documentation in place prior to construction of any facility or facilities.

Section 17. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by publication.

Section 18. That 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.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on January 9, 1996.

Executive Secretary
The Metropolitan Water District
of Southern California

SBB:jb:gm