

JAN - 9 1996

7-7



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Karen E. Deff*  
EXECUTIVE SECRETARY

December 18, 1995

**To:** Board of Directors (Executive Committee--Action)

**From:** General Manager

**Submitted by:** Jay Malinowski  
Director of Public Affairs and Conservation

**Subject:** Prepayment of Annual Dues to the Association  
of California Water Agencies (ACWA)

*Walter Bone*  
*Jay Malinowski*

## RECOMMENDATION

---

That your Board approve the prepayment of annual dues in the amount of \$100,000 to ACWA in accordance with ACWA's proposed "Advance Dues Deposit Agreement" to be placed on interest-bearing deposit with ACWA for a period of five years. It is also recommended that the General Manager be authorized to enter into such an Agreement, in a form approved by the General Counsel.

## EXECUTIVE SUMMARY

---

Your Board has requested to act on institutional memberships when a dues increase exceeds 10 percent of the previous year's dues. This condition obtains under ACWA's newly proposed plan whereby the Association is asking for a five-year dues advance of \$100,000, to be applied beginning in 1997. (Metropolitan has already paid \$17,800 for its dues for 1996.) Under ACWA's proposed Advance Dues Deposit Agreement, Metropolitan's dues, beginning January 1997, would average \$20,000 per year for the five years. This represents an average increase of \$2,200 per year over the dues for 1996, or 12.36 percent annually, assuming dues remain constant. During the five years, ACWA will pay MWD 7 percent interest per year for an effective yield of 6.58 percent over five years, while the District's current portfolio is currently yielding about 6.2 percent. ACWA is asking for participation in the program in order to raise funds to renovate its Sacramento headquarters building. The Chief Financial Officer has analyzed the ACWA proposal and finds it to be in the best interest of both Metropolitan and ACWA, and recommends that you authorize payment of \$100,000 for Metropolitan to participate in the program.

## DETAILED REPORT

---

As a member of ACWA, Metropolitan has benefited from the Association's long-standing and effective legislative efforts at the State Capitol. ACWA's intervention in Public Utilities Commission proceedings, for example, has resulted in significant reductions in members' energy bills during the last decade. The Association has also become a leader in the water quality arena, impacting both State and Federal water quality regulations.

Since 1972 ACWA has used a dues formula based on its member agencies' Operation and Maintenance costs, with provisions in its dues structure that set an upper limit on payments. In 1988 ACWA changed this formula and expanded the upper limit of its dues schedule to more equitably distribute the Association's costs among all members. Other large agencies such as Imperial Irrigation District and the Los Angeles Department of Water and Power also experienced dues increases under the revised formula.

In December 1989 Metropolitan paid to ACWA a one-time contribution of \$25,000 to establish its Water Quality Program. This was approved by your Board on November 14, 1989. Funding for this program has since been incorporated into the annual dues payment. Also in 1989, Metropolitan made a contribution in the amount of \$25,000 to ACWA to cover Metropolitan's share of the public information program, "California's Water Future, Living on the Edge." This was a one-time payment for an 18-month program and further funding was not required.

In 1991 many ACWA members contracted to participate in a voluntary advance dues program which provided the funding to purchase the existing ACWA building. The program was entirely voluntary and was handled as an advance lump sum payment of dues by an agency with a credit against that agency's dues for five years. The approach was authorized by the ACWA Board because it resulted in saving members thousands of dollars in financing costs over a traditional bank mortgage. At that time Metropolitan chose not to participate because it was not financially advantageous to the District.

The ACWA Board recently authorized a continuation of the program to pay for the building and the planned renovation that is under way. The goal established by the ACWA Board is \$2 million, which will cover the outstanding balances of the two existing advance dues programs and the building remodel.

The terms and conditions are outlined on the attached Advance Dues Deposit Agreement. In addition to those conditions outlined, the ACWA Board also stipulated:

- There will be no dollar limit per agency.
- If the goal is exceeded, the money will be pro-rated based on the total amount received. This will allow as many members as possible to participate.

- If sufficient money is collected, the second dues payment will be paid off early. If not, the program will be reexamined during the established termination/renewal timeframe.

Under ACWA's proposed Advance Dues Deposit Agreement, Metropolitan's dues, beginning January 1997, would average \$20,000 per year for the five years. This represents an average increase of \$2,200 per year over the dues for 1996, or 12.36 percent annually, assuming dues remain constant. During the five years, ACWA will pay Metropolitan 6.58 percent interest per year, while the District's current portfolio is currently yielding about 6.2 percent. ACWA is asking for participation in the program in order to raise funds to renovate its Sacramento headquarters building at 910 K Street.

The Chief Financial Officer has analyzed the ACWA proposal and finds it to be in the best interest of both Metropolitan and ACWA, and recommends that you authorize payment of \$100,000 for Metropolitan to participate in the program.

LG:jc

Attachment



## Association of California Water Agencies Advance Dues Deposit Agreement

The Association of California Water Agencies (ACWA), hereinafter referred to as Association, and the \_\_\_\_\_, hereinafter referred to as agency, enter into this advance dues deposit agreement to enable the Association to fund the purchase and renovation of the building at 910 K Street, Sacramento, California.

(agency name)

The advance dues, in the amount of \$ \_\_\_\_\_, payment of which is hereby submitted, will be placed on deposit with the Association for five (5) years.

There will be an offset of seven (7) percent per annum paid on the deposit to be credited against the annual dues beginning with the 1997 dues calculation.

There will be an additional three (3) percent of the deposit credited against the dues each year beginning with the 1997 dues calculation, which will reduce the initial advance dues amount.

The formula for Association dues and the annual dues schedule shall be that which is adopted by the ACWA Board of Directors each year.

