

STATEMENT BY METROPOLITAN DIRECTORS**Representing**

**Central Basin Municipal Water District
West Basin Municipal Water District
City of Torrance
City of Long Beach
City of Compton**

Regarding**Proposed Rates and Charges for Fiscal Year 1996-97**

Last month we expressed reservations about staff's recommendation for proposed rates and charges for Fiscal Year 1996-97, a \$5/AF increase in the commodity charge and a \$16 million increase in the RTS charge. Central Basin Municipal Water District and West Basin Municipal Water District Boards of Directors took formal action opposing the proposed rate increase. Our reservations about the rate increase were focused on the apparent lack of need for a rate increase based on several factors.

1. In the past year, Metropolitan has been able to increase the rate stabilization fund and increase its use of paygo funds for capital expenditures at higher levels than budgeted.
2. Actual construction bids for of the Eastside Reservoir Project are significantly less than estimated (approximately 15 percent).
3. Revenue Bond sales have been at lower interest rates than anticipated, and all indications are that the bond market will continue to be very favorable for 1996.

Based on discussions with Metropolitan staff at our January 4 caucus meeting, we will vote for the revised rate recommendations presented in Board Letter 8-3. Metropolitan staff have assured us deferring the rate increases until January 1, 1997 takes into consideration the three factors mentioned above. We have been further assured that future rate increases will take into consideration cost savings associated with the capital program itself and the financing of the capital program. Specifically, both the commodity charge and the RTS charge will not automatically increase to projected levels, but will most likely be less than currently anticipated.

In addition, we discussed the issue of certainty in Metropolitan rate projections. It is difficult to make decisions regarding local resource management when Metropolitan rate projections are not stable nor consistent. Agencies which have participated in the long-term Seasonal Storage Program in the past have reduced their participation, due to the uncertainty of future RTS charges and the proposed 28 percent increase for FY 1996-97. We have asked Metropolitan management to commit to a cap on the RTS charge and would like the Board to adopt a cap. This would enable member agencies to make better informed decisions concerning project development and financial and rate planning.

TABLE A

PROJECTED COSTS
(Cash Basis: \$ in thousands)

	ANNUAL	PROJECTED					
	BUDGET	ACTUAL					
	<u>1995-96</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>
STATE WATER CONTRACT	\$301,414	\$250,933	\$284,747	\$304,708	\$294,614	335,071	359,682
WATER TRANSFERS	\$14,000	\$14,000	\$24,000	\$10,000	\$7,500	-	-
COLORADO RIVER SUPPLIES	\$47,717	\$42,678	\$39,924	\$39,935	\$41,620	42,824	44,854
WATER MANAGEMENT PROGRAMS	\$28,819	\$28,706	\$39,216	\$50,785	\$60,859	68,518	71,152
MWD CAPITAL PROGRAM	\$249,825	\$245,443	\$267,835	\$322,204	\$375,961	429,199	450,523
MWD O&M AND OPER. EQUIP.	\$198,081	\$199,695	\$205,254	\$211,074	\$222,459	232,549	241,623
SUBTOTAL - COSTS	\$839,856	\$781,455	\$860,977	\$938,706	\$1,003,014	\$1,108,161	\$1,167,834
ADJUSTMENTS IN RESERVES	\$14,487	(\$13,489)	\$18,156	\$28,471	\$29,615	28,473	19,129
TOTAL OBLIGATIONS	\$854,343	\$767,966	\$879,133	\$967,177	\$1,032,629	\$1,136,634	\$1,186,963

TABLE B

PROJECTED REVENUES RATES AND CHARGES
(Cash Basis: \$ in thousands)

	ANNUAL BUDGET <u>1995-96</u>	PROJECTED ACTUAL <u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>
WATER SALES	\$622,741	567,616	\$626,863	\$674,928	\$723,572	825,510	868,976
TAXES	\$81,000	\$81,285	\$82,911	\$84,569	\$86,260	87,985	89,745
READINESS TO SERVE CHARGE							
- COLLECTED BY STANDBY	\$41,984	\$41,984	\$41,984	\$41,984	\$41,984	41,984	41,984
- COLLECTED BY RTS	\$14,016	\$14,016	\$22,066	\$47,185	\$74,281	101,865	115,766
CONNECTION MAINTENANCE CHARGE	\$5,775	\$2,978	\$2,978	\$2,978	\$2,978	2,978	2,978
NEW DEMAND CHARGE	\$0	\$0	\$0	\$9	\$597	1,211	3,809
INTEREST ON INVESTMENTS	\$33,000	\$37,000	\$38,000	\$39,000	\$40,000	41,000	42,000
POWER RECOVERIES	\$13,356	\$11,260	\$13,561	\$12,706	\$13,001	13,303	13,753
MISCELLANEOUS	\$750	\$750	\$750	\$750	\$750	\$750	\$750
TOTAL RECEIPTS	\$812,622	\$756,890	\$829,114	\$904,109	\$983,424	\$1,116,587	\$1,179,761
PROJECTED INCREASE (USE) OF STABILIZATION FUNDS	(\$41,721)	(\$11,076)	(\$50,019)	(\$63,068)	(\$49,205)	(\$20,048)	(\$7,202)
TOTAL REVENUES	\$854,343	\$767,966	\$879,133	\$967,177	\$1,032,629	\$1,136,634	\$1,186,963
WATER RATES (\$/AF)							
BASIC TREATED		426	431	442	454	459	469
BASIC UNTREATED		344	349	360	372	377	382
SEASONAL TREATED		286	290	299	309	313	321
SEASONAL UNTREATED		229	233	242	252	256	260
AG TREATED ¹		289	294	318	342	366	390
AG UNTREATED ¹		231	236	255	274	293	313
EFFECTIVE RATE		386	392	415	439	450	463
PERCENT INCREASE			1.6%	5.8%	5.8%	2.4%	2.9%
RATE STABILIZATION FUND BALANCE		205,485	167,226	113,476	71,289	55,860	51,837
DEBT/EQUITY RATIO		0.57	0.62	0.81	0.91	0.93	0.93
JUNIOR LIEN REVENUE BOND COVERAGE RATIO		4.14	3.23	2.43	2.11	2.06	2.03

1 Assumes Interim Agricultural Program for 3 years.