

APPROVED AS REVISED BY LETTER
By the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held

DATED 3-7-97

42335

42336

8-1



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MAR 11 1997

Debra C. Man
for EXECUTIVE SECRETARY

February 25, 1997

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

From: General Manager *Charles S. Man*

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

Subject: Recommended Water Rates for Fiscal Year 1997-98 to Become Effective
January 1, 1998 and Resolutions to Impose Charges

RECOMMENDATION

It is recommended that the Board of Directors:

1. Adopt water rates and charges for fiscal year 1997-98 to become **effective January 1, 1998**, as follows:

CLASS OF SERVICE	RATE OR CHARGE
Full Service--Untreated	\$349 per AF
Full Service--Treated	\$431 per AF
Agricultural--Untreated	\$236 per AF
Agricultural--Treated	\$294 per AF
Seasonal Storage, Long-Term--Untreated	\$233 per AF
Seasonal Storage, Long-Term--Treated	\$290 per AF
Seasonal Storage, Shift--Untreated	\$244 per AF
Seasonal Storage, Shift--Treated	\$301 per AF
Reclaimed	\$113 per AF
Wheeling--Firm (Member Agency Only)	\$262 per AF
Wheeling--Non-Firm (Member Agency Only)	\$141 per AF
Connection Maintenance Charge	\$50 per cubic feet per second of capacity per month, not to exceed a maximum charge per connection of \$5,000 per month.

2. Approve the following resolutions:

- (a) Resolution to fix and adopt the Readiness-to-Serve (RTS) charge in the form shown as Exhibit B to this letter.
- (b) Resolution to fix and adopt the New Demand Charge (NDC) in the form shown as Exhibit C to this letter and suspend collection of the charge for fiscal year 1997-98.

3. Find the setting of rates 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, it is exempt from CEQA under State CEQA Guidelines 15378 (b)(5) 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 in place prior to construction of any facility or facilities.

EXECUTIVE SUMMARY

In January 1997, your Board approved the Resolutions of Intention to Impose the Readiness-to-Serve (RTS) charge and New Demand Charge (NDC) and set the public hearing on the General Manager's recommended rates for fiscal year 1997-98. The water rate structure for 1997-98 consists of rates for full service, interim agricultural, seasonal storage, reclaimed, and wheeling service. It also includes the RTS, NDC, and connection maintenance charge (CMC). Comments from the public on the proposed rates and charges received at the February 10, 1997, public hearing are summarized and addressed in Exhibit A.

No increases are recommended for fiscal year 1997-98 for the following rates and charges:

- full service rates
- interim agricultural rates
- long-term seasonal rates
- reclaimed water rates
- treatment surcharge
- new demand charge
- wheeling rates
- connection maintenance charge

Rates for short-term firm and non-firm wheeling transactions by member agencies would remain the same as the rates which became effective January 15, 1997. All other rates and charges listed above would remain the same as those approved by your Board for FY 1996-97 and effective January 1, 1997.

An increase of \$11 per acre-foot in the Seasonal Storage Shift rate and an \$8 million increase in the RTS charge are recommended. These changes are consistent with the recommendations of Phase 1 of the Rate Refinement Process (RRP) which were approved by your Board in July 1996. Continuation of the standby charge is recommended for those agencies who utilize this charge as an offset against their RTS charge.

The following rates and charges, to become effective January 1, 1998, are recommended:

CLASS OF SERVICE	RATE OR CHARGE
Full Service--Untreated	\$349 per AF
Full Service--Treated	\$431 per AF
Agricultural--Untreated	\$236 per AF
Agricultural--Treated	\$294 per AF
Seasonal Storage, Long-Term--Untreated	\$233 per AF
Seasonal Storage, Long-Term--Treated	\$290 per AF
Seasonal Storage, Shift--Untreated	\$244 per AF
Seasonal Storage, Shift--Treated	\$301 per AF
Reclaimed	\$113 per AF
Wheeling--Firm (Member Agency Only)	\$262 per AF
Wheeling--Non-Firm (Member Agency Only)	\$141 per AF
Connection Maintenance Charge	\$50 per cubic feet per second of capacity per month, not to exceed a maximum charge per connection of \$5,000 per month.

The recommended rates and charges for FY 1997-98, effective January 1, 1998, will result in no increase in Metropolitan's overall effective rate for water service.

Resolutions of your Board fixing and adopting the Readiness-to-Serve Charge and New Demand Charge are attached as Exhibits B and C, respectively.

The combined fiscal impact of this proposal, based on expected sales of 1,827,000 acre-feet, is a \$46.0 million, or 5.43 percent, increase in revenues for fiscal year 1997-98 over FY 1996-97 estimated revenues.

DETAILED REPORT

Process

In compliance with Metropolitan's Administrative Code, the Finance and Insurance Committee (now Budget and Finance Committee) considered and approved the General Manager's determination of water sales revenue requirements for FY 1997-98 (Revenue Requirements Letter) in December 1996. In January 1997, your Board subsequently approved the Resolutions of Intention to Impose the Readiness-to-Serve (RTS) charge and New Demand Charge (NDC) and set the public hearing on the General Manager's recommended rates for FY 1997-98. Comments on the proposed rates and charges received at the public hearing February 10, 1997, are summarized and addressed in Exhibit A.

General Manager's Work Plan

Rate management is identified as one of three key initiatives in the General Manager's FY 1997-98 Work Plan. Efforts are focused on effectively managing the operation and maintenance (O&M) expenses and Capital Improvement Program (CIP) consistent with the Integrated Resources Plan and Rate Refinement goals, ensuring the availability of long-term cost-effective power supplies, and obtaining consensus on future water rates.

In contrast to last year's predictions of increased water rates and charges for FY 1997-98, decreased O&M expenses and a smaller CIP results in recommendations for no increases in full service, agricultural, long-term seasonal storage rates or the treatment surcharge. Total departmental O&M expenses will remain unchanged from FY 1996-97, resulting in a reduction in real expenditures when adjusted for inflation. A review of the timing and priority of projects included in the 10-year CIP revised expected costs downward from \$4.1 billion to \$3.9 billion. An authorized \$500 million bond sale was reduced to \$377.5 million in November 1996, reducing projected CIP financing costs for FY 1997-98.

Rate Refinement Process (RRP) Phase 1 Recommendations

Your Board approved the RRP Phase 1 Recommendations in July 1996. These recommendations were to provide predictability and certainty to member agencies with respect to the RTS Charge and rates for the next five years, seek an alternative to the NDC, and ensure water management program incentives reflect the appropriate benefits to Metropolitan. Projected water rates for FY 1997-98 are within the goals established by the approved recommendations.

Recommended Rates and Charges¹

The proposed rates and charges, together with a \$39.5 million transfer from the Water Rate Stabilization Fund (WRSF), are expected to meet 1997-98 revenue requirements. These water rates and charges reflect the form initially implemented in FY 1995-96, which includes RTS charges, NDC, and CMC. Wheeling rates for member agencies, which were first approved by your Board in January 1997, are also included for FY 1997-98.

Due to cost containment efforts directed by the General Manager (detailed in General Manager's Work Plan dated November 5, 1996) and recommendations from Phase 1 of the Rate Refinement Process (RRP), no increases are proposed for the following rates and charges:

- full service rates
- interim agricultural rates
- long-term seasonal rates
- reclaimed water rates
- treatment surcharge.
- new demand charge
- wheeling rates
- connection maintenance charge.

Proposed rates and charges for FY 1997-98, to become effective January 1, 1998, are as follows:

CLASS OF SERVICE	RATE OR CHARGE
Full Service--Untreated	\$349 per AF
Full Service--Treated	\$431 per AF
Agricultural--Untreated	\$236 per AF
Agricultural--Treated	\$294 per AF
Seasonal Storage, Long-Term--Untreated	\$233 per AF
Seasonal Storage, Long-Term--Treated	\$290 per AF
Seasonal Storage, Shift--Untreated	\$244 per AF
Seasonal Storage, Shift--Treated	\$301 per AF
Reclaimed	\$113 per AF
Wheeling--Firm (Member Agency Only)	\$262 per AF
Wheeling--Non-Firm (Member Agency Only)	\$141 per AF
Connection Maintenance Charge	\$50 per cubic feet per second of capacity per month, not to exceed a maximum charge per connection of \$5,000 per month.

¹ Detailed explanations of each of the rates and charges are presented in Board Letter 8-9, dated December 17, 1996, "Recommended Water Rates for Fiscal Year 1997-98 and Resolution Giving Notice of Intention to Impose Charges."

These recommended rates and charges for FY 1997-98, effective January 1, 1998, will result in no increase in Metropolitan's overall effective rate for water service.

Full Service Rates. The name of these rates was changed from "Noninterruptible Rates" at the February 1997 meeting of your Board.

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

Long-term Seasonal Storage Rates. No change is recommended for untreated and treated seasonal rates for long term water storage.

Seasonal Storage Shift Rates. Consistent with the recommendations of the Rate Refinement Process (RRP) approved by your Board in July 1996, an increase in the Seasonal Storage Shift rate of \$11 per acre-foot is suggested to realign this rate with the benefits of shifting additional water deliveries from the summer season to the winter season.

Reclaimed Water Rate. This rate is required to comply with contractual obligations and legal requirements of the Local Projects Program. No change is recommended in the Reclaimed Water Rate for FY 1997-98.

Wheeling Rates. The rate for firm wheeling is proposed to remain at \$262 per acre-foot, plus power. These rates are for short-term (one year or less) transactions only, and apply to all transactions that meet the requirements of the rate. The development of this charge was presented to your Board at a workshop in October 1996 and at the November 1996 Board meeting.

The non-firm (interruptible) wheeling rate is based on recovering Metropolitan's transmission costs, but it is adjusted to reflect the value of off-peak utilized capacity, as detailed in the Technical Report included in the November 5, 1996, Board letter noticing the intention to adopt wheeling rates. In FY 1997-98, the non-firm wheeling rate is proposed to remain unchanged at \$141 per acre-foot.

Connection Maintenance Charge. The CMC is designed to 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 feet per second (cfs). No change is recommended in the CMC for FY 1997-98.

Treatment Surcharge. All costs pertaining to the treatment of water, according to your Board's policy, are to be recovered through the treatment surcharge. No change is recommended in the Treatment Surcharge for FY 1997-98 to cover the capital and operations and maintenance costs associated with the treatment of water.

Readiness to Serve Charge. The RTS charge is set to recover the principal and interest payments on non-tax supported debt service that have 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 1997-98, \$76.1 million will be collected through the RTS charge. The \$76.1 million is based on collecting six months of the RTS revenues at an annualized rate of \$72.0 million and six months of the RTS revenues at an annualized rate of \$80.0 million. The \$8.0 million increase is also consistent with RRP Phase 1 recommendation to provide predictability and certainty to the RTS by limiting the annual increase in the RTS to \$8.0 million annually through 2001.

The RTS 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 FY 1997-98 an agency's share will be based on the average of adjusted sales for FYs 1993-94, 1994-95, and 1995-96, less certain long-term storage water, as more particularly described in Exhibit B, Section 7. For fiscal years 1997-98 through 2000-01, an agency's share of the RTS will be based on the average of Metropolitan sales in fiscal years 1993-94, 1994-95, and 1995-96, less certain long-term storage water. The table under Section 7 shows the estimated RTS obligation by member agency.

The Resolution of your Board to impose the RTS charge is attached as Exhibit B. An Engineer's Report explaining the basis for the charge and the allocation among member agencies is included with the Resolution.

Twenty-three member agencies have opted to utilize Metropolitan's existing Standby Charge as a means to collect their RTS charge obligation. A continuation of the standby charge is recommended for those agencies who utilize this charge as an offset for their RTS charge. Your Board is scheduled to consider reimposition of existing standby charges for FY 1997-98 at its regular meeting in May.

Further reconciliation of sales data produced small changes in RTS shares for several member agencies in this Resolution, compared to the Notice of Intention to Impose the RTS adopted January 1997.

New Demand Charge. The NDC is designed to recover 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) must be

greater than its established NDC base (as shown in Metropolitan's Administrative Code, Section 4403).

The proposed FY 1997-98 NDC would remain unchanged from that assessed in FY 1995-96 and FY 1996-97 at \$1,000 per acre-foot. It is proposed, however, that collection of the NDC be suspended for the current fiscal year, consistent with the recommendations of the RRP which were approved by your Board. Alternative methods to assign the costs of new growth on the Metropolitan system are being explored by the RRP. The NDC will be collected, however, at the time normal system demands exceed 2.2 million acre-feet, if no other charge has been implemented.

The Resolution to impose the NDC is attached as Exhibit C. Metropolitan's Nexus Study dated March 1996 which documents the nexus between the NDC and Metropolitan's anticipated capital projects is on file with the Executive Secretary and is available upon request.

January 1, 1998 Implementation

Changes in the Seasonal Storage Shift rate and the RTS charge for FY 1997-98 are proposed to become effective January 1, 1998. This later implementation date is consistent with the RRP Phase 1 recommendations and is responsive to member agency requests to implement rate changes during the winter sales period, providing more time to prepare for rate changes. A review of the rate changes effective January 1, 1997, has not revealed any significant difficulties for Metropolitan or member agencies.

Revenues and Revenue Requirements

Detail for Projected 1997-98 Revenue Requirements is provided in Table 1 attached to this letter. Revenues from property taxes, RTS charges, CMC, interest, power recoveries, and miscellaneous are projected to total \$217.6 million during FY 1997-98.

Total obligations for FY 1997-98 are now estimated to be \$932.0 million, or \$42.3 million greater than estimates presented to the Board at its November 1996 meeting. The difference is primarily due to capital outlays for the headquarters building being expensed from the general fund. General fund money used to fund the headquarters building is expected to be reimbursed from proceeds of obligations to be issued by the Metropolitan Water District Asset Financing Corporation.

Expected water sales of 1,827,000 acre-feet during 1997-98 are 202,000 acre-feet higher than estimated for 1996-97. With no increase in treated and untreated water rates, the estimated FY 1997-98 total water revenue requirement of \$714.4 million will be funded by \$674.9 million in water sales revenue and \$39.5 million in Rate Stabilization Funds.

FY 1997-98	
Projected Revenues	
Property taxes, RTS, CMC, interest, power recoveries, miscellaneous	\$217.6 million
Water sales	\$674.9 million
Total Projected Revenues	\$892.5 million
Revenue Requirements	\$932.0 million
Transfer from WRSF	\$ 39.5 million

In FY 1997-98, \$76.1 in million revenues are projected to be collected through the RTS charge. The \$76.1 million is based on collecting six months of the RTS revenues at an annualized rate of \$72.0 million and six months at an annualized rate of \$80.0 million. Member agency shares of the RTS, based on historic water purchases, are shown in Exhibit B "Resolution of the Board of Directors of the Metropolitan Water District of Southern California Fixing and Adopting Readiness-to-Serve Charge".

California Environmental Quality Act

The recommendations made in this letter are exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080(b)(8) since they recommend setting of rates and charges 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, are exempt from CEQA under State CEQA Guidelines 15378 (b)(5) 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 in place prior to construction of any facility or facilities.

Table 1			
PROJECTED 1997-98 REVENUE REQUIREMENTS			
(Cash Basis: \$ in thousands)			
	ACTUAL 1995-96	EST. 1996-97	1997-98
Expenditures			
State Water Contract	\$218,778	244,128	\$277,103
Colorado River Aqueduct	\$30,740	41,937	\$37,256
Water Transfers	\$14,000	\$34,000	\$24,000
Water Management Programs	\$24,011	\$25,873	\$28,833
Capital Program	\$244,812	328,194	\$355,491
O&M and Operating Equipment	\$224,273	\$205,755	\$205,755
Sub-Total Costs	\$756,613	\$879,888	\$928,438
Adjustments in Required Reserves	(\$26,908)	6,398	\$3,527
Total Obligations	\$729,705	\$886,285	\$931,965
Less Other Revenues			
Property Taxes	(\$83,986)	(\$82,620)	(\$84,272)
Interest Income	(\$49,758)	(\$51,559)	(\$40,848)
Power and Miscellaneous Revenue	(\$10,747)	(\$21,111)	(\$13,456)
Readiness to Serve Charge	(\$54,775)	(\$64,050)	(\$76,050)
Connection Maintenance Charge	(\$2,462)	(\$2,978)	(\$2,978)
Sub-Total Other Revenues	(\$201,728)	(\$222,318)	(\$217,605)
Total Water Revenue Requirement	\$527,977	\$663,967	\$714,360
Water Sales (Cash Year) (000s AF)			
Basic Treated	925	995	984
Basic Untreated	270	330	359
Seasonal Treated	122	93	162
Seasonal Untreated	109	101	212
Agricultural Treated	43	88	52
Agricultural Untreated	48	18	58
	1,517	1,625	1,827
Water Sales Revenue	\$598,788	\$624,200	\$674,887
Increase/(Decrease) in Rate Stabilization Funds	\$70,809	(\$39,767)	(\$39,473)

EXHIBIT A**PUBLIC HEARING COMMENTS AND REPLIES**

Oral statements made at the public hearing held on February 10, 1997, are summarized below.

James J. Taylor, Deputy General Counsel, San Diego County Water Authority. On behalf of SDCWA, Mr. Taylor stated that the objections and concerns which SDCWA has previously raised with respect to wheeling principles and FY 1996-97 wheeling rates implemented January 15, 1997, are equally applicable to the proposed FY 1997-98 wheeling rates. He asked that concerns and objections which SDCWA has expressed in earlier correspondence to Chairman Foley, at a hearing on wheeling, and a previous committee meeting be incorporated by reference.

Responses to these comments are included in Board Letter 8-1, dated December 17, 1996, "Resolution to Adopt Wheeling Rates Effective January 15, 1997".

Matt Stone, Municipal Water District of Orange County. Mr. Stone expressed MWDOC's general support of the proposed rates and charges. MWDOC is particularly encouraged by Metropolitan's level rate projections through the year 2000 issued in the November 1996 revenue requirements letter. In addition, MWDOC supports the increase in the RTS charge in order to expand fixed, stable revenues within Metropolitan's rate structure.

(SEE REVISED EXHIBIT B ON LETTER DATED 3-7-97)

EXHIBIT B

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION _____

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
FIXING AND ADOPTING
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;

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, the readiness-to-serve charge is a charge imposed by Metropolitan upon its member agencies, and is not a fee or charge imposed upon real property or upon persons as an incident of property ownership;

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 a 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 opted in prior fiscal years 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 is willing to comply with the requests of member public agencies opting to have Metropolitan continue to levy water standby charges within their respective territories, on the terms and subject to the conditions contained herein;

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;

WHEREAS, by Resolution 8524, adopted at its meeting held January 14, 1997, Metropolitan's Board resolved and determined that the public interest and necessity require Metropolitan 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; and 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 at existing demand levels;

WHEREAS, notice was given by Resolution 8524 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 11, 1997, on the General Manager's recommendation to impose a readiness-to-serve charge for fiscal year 1997-98 in the amount of \$36,050,000 for the period from July 1, 1997 through December 31, 1997, and \$40,000,000 for the period from January 1, 1998 through June 30, 1998, to be allocated among member agencies and levied as described in Resolution 8524;

WHEREAS, the readiness-to-serve charge applicable to each member public agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report dated March 1997, on file with Metropolitan, a copy of which is attached as Attachment 1;

WHEREAS, the Water Planning and Resources Committee of the Board conducted a public hearing at its regular meeting on February 10, 1997, at which interested parties were given the opportunity to present their views regarding the proposed readiness-to-serve charge and the Engineer's Report dated January 1997; and

WHEREAS, notice of the proposed readiness-to-serve charge and of a public hearing on the date and at the time and location specified in Resolution 8524 was published prior to the hearing in various newspapers of general circulation 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 Board of Directors of Metropolitan hereby fixes and adopts a readiness-to-serve charge for fiscal year 1997-98.

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; provided, however, that the amount of the readiness-to-serve charge shall be set by the Board while bearing in mind the rate management goals of Phase I of the Rate Refinement Process adopted by the Board on July 9, 1996.

Section 3. That such readiness-to-serve charge for July 1, 1997 through December 31, 1997, shall be a water rate equal to \$47.56 per acre-foot, and for January 1, 1998 through and including June 30, 1998 shall be a water rate equal to \$52.77 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 three fiscal year period ending June 30, 1996. The aggregate readiness-to-serve charge for the period from July 1, 1997 through and including December 31, 1997 shall be \$36,050,000, and for January 1, 1998 through and including June 30, 1998 shall be \$40,000,000.

Section 4. That in the alternative, and without duplication, the readiness-to-serve charge for the period from July 1, 1997 through and including December 31, 1997 shall be a capital facilities fee in the aggregate amount of \$36,050,000, and for January 1, 1998 through and including June 30, 1998 shall be a capital facilities fee in the aggregate amount of \$40,000,000, which shall be allocated as provided in Section 7 below.

Section 5. That this Board finds that the 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 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 three fiscal year period ending June 30, 1996. 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, 1993 Demonstration Program and cooperative storage purchases paid for in fiscal year 1995-96 will be subtracted from the water sales calculation. 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 1997-98 is as follows:

1997-98 RTS CHARGE

Member Agency	3-Year Average Demands (Acre-Feet) ¹ RTS Share		RTS Charges		
			6 months of	+6 months of	=TOTAL
			\$72.1 million	\$80.0 million	RTS
Anaheim	18,709	1.24%	445,856	494,708	940,564
Beverly Hills	12,941	0.86%	308,398	342,189	650,587
Burbank	16,523	1.09%	393,761	436,905	830,666
Calleguas	87,849	5.81%	2,093,537	2,322,926	4,416,463
Central Basin MWD	69,047	4.56%	1,645,465	1,825,759	3,471,224
Chino Basin MWD	34,369	2.27%	819,051	908,794	1,727,845
Coastal	39,983	2.64%	952,838	1,057,241	2,010,079
Compton	3,725	0.25%	88,771	98,497	187,268
Eastern	48,240	3.19%	1,149,612	1,275,575	2,425,187
Foothill	7,961	0.53%	189,719	210,507	400,226
Fullerton	7,457	0.49%	177,708	197,180	374,888
Glendale (1)	26,456	1.75%	630,475	699,556	1,330,031
Las Virgenes MWD	18,014	1.19%	429,293	476,331	905,624
Long Beach (1)	42,539	2.81%	1,013,751	1,124,827	2,138,578
Los Angeles	164,220	10.86%	3,913,541	4,342,348	8,255,889
MWDOC	177,559	11.74%	4,231,424	4,695,061	8,926,485
Pasadena	14,824	0.98%	353,272	391,980	745,252
San Diego CWA	407,484	26.94%	9,710,787	10,774,798	20,485,585
San Fernando (2)	106	0.01%	2,526	2,803	5,329
San Marino (1)	1,327	0.09%	31,624	35,089	66,713
Santa Ana	12,633	0.84%	301,058	334,045	635,103
Santa Monica	5,008	0.33%	119,346	132,423	251,769
Three Valleys MWD	58,267	3.85%	1,388,566	1,540,711	2,929,277
Torrance (1)	20,311	1.34%	484,033	537,069	1,021,102
Upper San Gabriel	7,163	0.47%	170,702	189,406	360,108
West Basin MWD	153,155	10.12%	3,649,850	4,049,764	7,699,614
Western MWD	56,860	3.76%	1,355,036	1,503,507	2,858,543
MWD	1,512,730	100.00%	\$ 36,050,000	\$ 40,000,000	76,050,000

1 Average AF Sales = (FY 93-94 + FY 94-95 + FY 95-96 AF Sales)/3

(1) NDC Base

(2) Minimum RTS

Section 8. That the allocation of the readiness-to-serve charge among member agencies set forth in Section 7 above is consistent with the per-acre-foot water rates imposed pursuant to Section 3 above.

Section 9. That it is the intent of the Board that:

(a) For fiscal years 1997-98 through 2000-01, a member public agency's readiness-to-serve allocation will be based on the average of Metropolitan water deliveries eligible to be included in the readiness-to-serve charge calculation to each member public agency (as described in Section 7 above and below in this Section 9) during fiscal years 1993-94, 1994-95 and 1995-96. This intent supersedes any inconsistent intent previously expressed by the Board.

(b) 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.

(c) 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 eligible to be included in the readiness-to-serve charge calculation to such member agency during the two fiscal year period ending June 30, 1994. Such average for each member agency and its minimum readiness-to-serve allocation floor are:

MEMBER AGENCY	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%

(e) 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 10. That the 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 11. That except as provided in Section 15 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 12. 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 1996-97, be raised by reimposition of the 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 13. 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 14. 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 1997-1998 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 15. 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 11 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 fifty days after Metropolitan issues an invoice for remaining readiness-to-serve charges to such member agency, as provided in Administrative Code Section 4507.

Section 16. 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 13, 1997, on the General Manager's recommendation to impose a water standby charge for fiscal year 1997-98 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 14 above. Any such water standby charge will be imposed as a means of collecting the readiness-to-serve charge.

Section 17. That the Board will meet in regular session at its meeting on April 8, 1997, 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 8, 1997, 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 18. That it is the intent of the Board that certain lands described in Resolution shall be exempt from the water standby charge, and that the procedures for application for exemptions and consideration of such applications pursuant to this Resolution shall be as specified in Resolution 8524.

Section 19. 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 20. That the readiness-to-serve charge is imposed by Metropolitan as a rate, fee or charge on its member agencies, and is not a fee or charge imposed upon real property or upon persons as incidents of property ownership, and the water standby charge is imposed within the respective territories of electing member agencies as a mechanism for collection of the readiness-to-serve charge. In the event that the water standby charge, or any

portion thereof, is determined to be an unauthorized or invalid fee, charge or assessment 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 water standby 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 water standby charge, then no further standby charge shall be collected within any member agency and each member agency which has requested imposition of Metropolitan water standby charges as a means of collecting its readiness-to-serve charge obligation shall pay such readiness-to-serve charge obligation in full, as if imposition of such water standby charges had never been sought.

Section 21. 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 22. 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 23. 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.

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 March 11, 1997.

Executive Secretary
The Metropolitan Water District
of Southern California

**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 1997-98**

March 1997

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 is an existing charge levied on parcels of land within certain of 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 standby charge, if levied as a method of collecting all or part of the member agency's RTS charge, will be utilized for capital payments, and debt service on capital projects.

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 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. 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 16.2 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. What is needed is a coordinated and balanced regional response to growing demands.

METROPOLITAN'S RESPONSE TO GROWING WATER DEMANDS

To respond to growing demands for water, Metropolitan and its member agencies developed an Integrated Resources Planning (IRP) process. The focus of the IRP process was to collectively examine all of the available local and imported resource options in order to develop a

least-cost plan that meets the reliability and quality needs of the region. 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 and help defer the need for regional transmission and storage facilities. 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. A summary of the estimated benefits of the water supply and water management programs is shown in Table 1. Also shown in Table 1 is the estimated sources of revenue to fund the estimated benefits.

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, the State Department of Water Resources (DWR) cannot meet all of its contractors' demands for SWP entitlement water. 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.

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 1997-98 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 1997-98 is shown in Table 1.

Water Recycling

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 1997-98, 42 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 70,000 acre-feet of water. In the future, the production of projects participating in the Local Resources Program, combined with water recycling in Metropolitan's service area that does not receive incentives from Metropolitan, is expected to increase to meet the IRP year 2000 target of 260,000 acre-feet per year of production. An estimate of potential water recycling payments is given in Table 2. No such payments will be made with proceeds of standby charges.

Water Conservation

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 financing mechanisms, Metropolitan reimburses local agencies for a share of their costs of implementing conservation projects. Since Fiscal Year 1994-95, Metropolitan has spent over \$60 million participating in local conservation projects.

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 commitments 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 1997-98, conservation measures are expected to have reduced urban water demand in the service area by almost 400,000 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. No payments for water conservation will be made with proceeds of standby charges.

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 25,000 acre-feet in Fiscal Year 1997-98. 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 for groundwater recovery projects is given in Table 2. Not such payments will be made with proceeds of standby charges.

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

The development and delivery of a reliable water supply comes at a cost. 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 also for replacement and improvement of capital facilities.

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 assessments on land that in part derives its value from the availability of water.

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 \$233,575,622 in fiscal year 1997-98.

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 a portion of the 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 1997-98, this is estimated to be \$76,050,000. The capital projects considered for the RTS charge are shown in Table 1 and Table 3. These funds, when melded with Metropolitan's overall financial resources, will result in greater water rate stability for all users throughout the Metropolitan service area.

The RTS charge for fiscal year 1997-98 is allocated to each member agency on the basis of a three-year average of historic water purchases from Metropolitan for fiscal years 1993-94, 1994-95, 1995-96, including sales for consumptive demands, agriculture, and storage. Basing the charge on historic usage 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 and has been levied by Metropolitan since fiscal year 1992-93. 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 standby charge 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 capital 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 amount 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 1997-98, 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 at the same level as Metropolitan's fiscal year 1996-97 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 \$233,575,622 for fiscal year 1997-98, as shown in Table 1. An average total standby charge of \$56.48 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 1997-98. This total amount is less than projected collections from the RTS charge. Metropolitan will use other revenue sources, such as water sale revenues, 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 investments in water supply, transmission and storage projects 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 in the current year. This charge is levied on Metropolitan's member agencies and is not a fee or charge upon real property or upon persons as an incident of property ownership. It 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 importing 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 consumers 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.

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 and also help defer construction of transmission and storage facilities. 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 1997-98, 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 1997-98 standby charge for each is available in the office of the Chief Financial Officer.

PWRATES2/BOARD

TABLE 1

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

	Estimated Potential Program Benefits FY 1997-98	\$ Per Acre or \$ Per Parcel Less Than 1 Acre
Water Transmission Storage and Supply Program		
Net Capital Payments to State Water Project (Less Portion Paid by Property Tax Revenue)	\$92,304,000	\$22.32
Debt Service for Water Storage Including the Eastside Reservoir Project	\$81,829,022	\$19.79
Debt Service for System Improvements (less Portion Paid by Treatment Surcharge)	\$28,219,600	\$6.82
Sub-Total Capital and Debt Service Payments	\$202,352,622	\$48.93
less Estimated Standby Charge Revenues	(\$41,629,384)	(\$10.07)
Remaining Capital and Debt Service Costs Recovered by RTS, Water Sales, Interest Income and Hydro-Electric Revenues	\$160,723,238	\$38.86
Water Recycling, Groundwater Recovery, and Water Conservation Projects	\$31,223,000	\$7.55
Sub-Total Capital, Debt Service and Water Management Program Costs not Paid by Standby Charge Revenues	\$191,946,238	\$46.41
Total Costs	\$233,575,622	\$56.48

TABLE 2

42335

42336

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

Project Name	F.Y. 1997-98 Payment
Water Recycling Projects	\$12,230,000
Burbank Reclaimed Water System Expansion Project	
Calabasas Reclaimed Water System Expansion	
Carbon Canyon Reclamation Project	
Century Reclamation Program	
Cerritos Reclaimed Water Expansion Project	
Eastern Reach 1, Phase II Water Reclamation 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	
Green Acres Reclamation Project	
Irvine Ranch Reclamation Project	
Lakewood Water Reclamation Project	
Las Virgenes Reclamation Project	
Long Beach Reclamation Project	
Long Beach Reclaimed Water Master Plan Phase 1	
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 Elijo Water Reclamation System	
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	\$5,310,000
Oceanside Desalter (No. 1)	
Burbank Lake Street Plant	
West Basin (No. 1)	
Tustin Desalter Project	
Santa Monica GW Treatment Plant	
Glenwood Nitrate Water Reclamation Project	
Arlington Basin Groundwater Desalter Project	
Conservation Projects	\$13,683,000
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	\$31,223,000

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
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
CRA Lakeview Siphon - Repair Deteriorated Joints in 1st Barrel
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
Garvey Reservoir - Modify Desilting Basins

TABLE 3

DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS

42335

42336

Distribution System Improvement
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 - 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 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
Mills Filtration Plant - Service Connection
Modify Control System
MWD Share Design & Construction LA-35

TABLE 3

DISTRIBUTION SYSTEM IMPROVEMENT PROJECT BENEFITS

Distribution System Improvement	
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	
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 - Repair/Retrofit 28 Manhole Risers	
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	
Upgrading Communication System	
West Orange County Feeder - Relocation	
West Valley Area Study	
West Valley Feeder No. 1 - Modifications	
West Valley Feeder No. 2	
White Water Siphon Delivery Structure	
Yorba Linda Feeder	
Other System Reliability/Rehabilitation Projects	
Estimated Fiscal Year 1997-98 Benefit	\$28,219,600

TABLE 4
FISCAL YEAR 1997-98
READINESS-TO-SERVE CHARGE
ESTIMATED REVENUE

Member Agency	Amount
Anaheim	940,564
Beverly Hills	650,587
Burbank	830,666
Calleguas Municipal Water District	4,416,463
Central Basin Municipal Water District	3,471,224
Chino Basin Municipal Water District	1,727,845
Coastal Municipal Water District	2,010,079
Compton	187,268
Eastern Municipal Water District	2,425,187
Foothill Municipal Water District	400,226
Fullerton	374,888
Glendale	1,330,031
Las Virgenes Municipal Water District	905,624
Long Beach	2,138,578
Los Angeles	8,255,889
Municipal Water District of Orange County	8,926,485
Pasadena	745,252
San Diego County Water Authority	20,485,585
San Fernando	5,329
San Marino	66,713
Santa Ana	635,103
Santa Monica	251,769
Three Valleys Municipal Water District	2,929,277
Torrance	1,021,102
Upper San Gabriel Valley Municipal Water District	360,108
West Basin Municipal Water District	7,699,614
Western Municipal Water District of Riverside County	2,858,543
Total	\$76,050,000

TABLE 5

42335

42336

**FISCAL YEAR 1997-98
STANDBY CHARGE
ESTIMATED REVENUE**

Member Agencies	Total Parcel Charge	Number Of Parcels Or Acres	Gross Revenues (Dollars)
Beverly Hills			
Burbank	14.20	28,226	400,806.00
Central Basin MWD	10.44	338,710	3,536,129.00
Compton	8.92	18,073	161,210.00
Foothill MWD	10.28	30,097	309,401.00
Glendale	12.23	44,483	544,021.00
Las Virgenes MWD	8.03	65,066	522,481.00
Long Beach	12.16	88,392	1,074,844.00
Los Angeles			
Pasadena	11.73	36,612	429,455.00
San Fernando	7.87	5,155	40,571.00
San Marino	8.24	4,969	40,946.00
Santa Monica			
Three Valleys MWD	12.21	152,687	1,864,314.00
Torrance	12.23	37,670	460,709.00
Upper San Gabriel Valley MWD	9.27	208,712	1,934,759.00
West Basin MWD			
Los Angeles County Total		1,058,852	11,319,646.00
Anaheim	8.55	65,581	560,720.00
Coastal MWD	11.60	85,646	993,495.00
Fullerton	10.71	32,855	351,880.00
MWD of Orange County	10.09	566,890	5,719,916.00
Santa Ana	7.88	53,465	421,304.00
Orange County Total		804,437	8,047,315.00
Eastern MWD	6.94	378,801	2,628,878.00
Western MWD of Riverside Co.	9.23	353,615	3,263,864.00
Riverside County Total		732,416	5,892,742.00
Chino Basin MWD	7.59	220,060	1,670,253.00
San Bernardino County Total		220,060	1,670,253.00
Calleguas MWD	9.58	255,833	2,450,881.00
Ventura County Total		255,833	2,450,881.00
San Diego CWA	11.51	1,064,166	12,248,547.00
San Diego County Total		<u>1,064,166</u>	<u>12,248,547.00</u>
TOTAL	10.07	4,135,763	41,629,384.00

- Notes:
- The revenues are only an estimate. Actual revenue collected could be less than projected due to tax payment delinquencies.
 - A listing of all parcels in the service area and the proposed 1997-98 standby charge for each is available in the office of the Chief Financial Officer

EXHIBIT CTHE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIARESOLUTION 8535

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
ADOPTING AND SUSPENDING COLLECTION OF
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, the new demand charge is a charge imposed by Metropolitan upon its member agencies, and is not a fee or charge imposed upon real property or upon persons as an incident of property ownership;

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 March 1996, prepared by Metropolitan in support of the new demand charge;

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;

WHEREAS, Metropolitan and its member agencies have engaged in a collaborative process (the "Rate Refinement Process") designed to further refine Metropolitan's rate structure and revenue sources;

WHEREAS, the Rate Refinement Process Phase I recommendations were approved by the Board on July 9, 1996;

WHEREAS, such Phase I recommendations included suspension of collection of the new demand charge while other alternatives are being pursued, with collection to resume if normal system demands exceed 2.2 million acre-feet per year and no alternative has been implemented, as further provided in this Resolution.

WHEREAS, by Resolution 8525, adopted at its meeting held January 14, 1997, Metropolitan's Board resolved and determined 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;

WHEREAS, notice was given by Resolution 8525 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 11, 1997, on the General Manager's recommendation to impose a new demand charge

for fiscal year 1997-98 in the amount of \$1,000 per acre foot for all new demands by a member agency on Metropolitan, as described in Resolution 8525;

WHEREAS, notice of the proposed new demand charge and of a public hearing on the date and at the time and location specified in Resolution 8525 was published prior to the hearings in various newspapers of general circulation within Metropolitan; and

WHEREAS, the Water Planning and Resources Committee of the Board conducted a public hearing at its regular meeting on February 10, 1997, at which interested parties were given the opportunity to present their views regarding the proposed new demand charge.

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 Board of Directors of Metropolitan hereby fixes and adopts a new demand charge for fiscal year 1997-98; provided, however, that collection of such charge shall be suspended until the occurrence of the events described in Section 14 below.

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 1997-98 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 7 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 7 below.

Section 5. That this Board finds that the 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 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 1997-98, 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, the 1993 Demonstration Program and Cooperative Storage purchases paid for in fiscal year 1995-96 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 are 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 8. 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 9. 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 10. 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 11. 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. New demand charges are incurred on the basis of the amount of water purchased by the member agency and are not imposed upon real property or upon a person as an incident of property ownership. The determination of new demand charges for Metropolitan water delivered in 1997-98 shall be made early in fiscal year 1998-99. In no event shall a new demand charge be incurred for water delivered in any fiscal 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 12. 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 13. 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 dated March 1996, which is on file and available for review by interested parties at Metropolitan's headquarters.

Section 14. That notwithstanding the foregoing, the Board hereby suspends collection of all new demand charges which may be incurred for fiscal year 1997-98, pending imposition by Metropolitan of an area-wide fee based on new development or other alternative charge; provided, however, that if the General Manager shall determine and certify that normal system demands have reached levels in excess of 2.2 million acre-feet, collection of the new demand charge shall resume. It is the intent of the Board that if collection of the new demand charge resumes, a new Nexus Study will be prepared, including revised new demand charge base figures for the member agencies, and such collection shall not retroactively include new demand charges incurred prior to the date that the General Manager certifies that normal system demands exceed 2.2 million acre-feet.

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.

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 March 11, 1997.

Executive Secretary
The Metropolitan Water District
of Southern California