

- Board of Directors  
*Budget and Finance Committee*

March 14, 2000 Board Meeting

**9-1**

**Subject**

- 1) Adoption of Recommended Water Rates and Charges for Fiscal Year 2000-2001 and
- 2) Approval of Resolutions to Impose Charges for Fiscal Year 2000-2001

**Description**

In December 1999, the Budget and Finance Committee considered and approved the General Manager’s determination of the revenues to be derived from water sales during Fiscal Year 2000-01 in Board Letter 9-5, entitled “Revenue Requirements for Fiscal Year 2000-01” (Revenue Requirements Letter). In January 2000, the Budget and Finance Committee reviewed the General Manager’s recommended rates and charges for Fiscal Year 2000-01 and approved the Resolution of Intention to: 1) Impose the Readiness-to-Serve (RTS) Charge with the understanding that the charge is to remain at its current level; and 2) the New Demand Charge (NDC) contained in Board Letter 9-5 entitled, “Recommended Water Rates for Fiscal Year 2000-01, and Resolution Giving Notice of Intention to Impose Charges” (Recommended Water Rates Letter). Comments from the public on these recommended rates and charges were received at the Feb. 7, 2000 public hearing and are included in [Attachment 2](#). Responses to these public comments are also included in [Attachment 2](#). Metropolitan’s Administrative Code, Section 4304(g) requires the Budget and Finance Committee to make its determination regarding the water rates and charges at its March meeting and to recommend such rates to the Board at the Board’s regular March meeting. Metropolitan’s Administrative Code, Section 4304(h) requires the Board to establish water rates for deliveries beginning the following year at its March Board meeting. The Budget and Finance Committee’s recommendations are as follows:

<u>Class of Service</u>	<u>Effective Jan. 1, 2001</u>	
	<u>Current</u>	<u>Recommended</u>
Full Service—Untreated	\$349 per AF	\$349 per AF
Full Service—Treated	\$431 per AF	\$431 per AF
Agricultural—Untreated	\$236 per AF	\$236 per AF
Agricultural—Treated	\$294 per AF	\$294 per AF
Seasonal Storage, Long-Term—Untreated	\$233 per AF	\$233 per AF
Seasonal Storage, Long-Term—Treated	\$290 per AF	\$290 per AF
Seasonal Storage, Shift—Untreated	\$266 per AF	\$277 per AF
Seasonal Storage, Shift—Treated	\$323 per AF	\$334 per AF
Reclaimed	\$113 per AF	\$113 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	

With the exception of the Seasonal Storage Shift rates, the rates and charges remain unchanged for Fiscal Year 2000-01. The proposed increase in the Seasonal Storage Shift rate of \$11 per A/F on Jan. 1, 2001 is consistent with the Board’s five-year plan to transition the Seasonal Storage Shift discount to a level that reflects the estimated benefits provided by the program. This recommendation results in a total average increase in all

rates and charges of .07 percent, well below the rate management objective of 3 percent adopted by the Board in July 1996.

This letter also recommends that the Board again defer, for an additional year, the planned increase of the RTS charge. Deferring the increase in the RTS charge for one year would increase the expected use of reserves in Fiscal Year 2000-01 by about \$4 million. At this time it is expected that adequate reserves will be available to fund the deferral of the RTS Charge increase. Under this recommendation, the RTS Charge would not increase by \$8 million on Jan. 1, 2001 and would remain at a total level of \$80 million for Fiscal Year 2000-01. The RTS Charge resolution (**Attachment 3**) reflects the recommendation to defer the scheduled increase in the RTS Charge by one year. Continuation of the standby charge is recommended for those agencies who utilize this charge as an offset against their RTS Charge. A detailed discussion of the proposed rates and charges is contained in the Detailed Report (**Attachment 1**).

Additionally, the NDC resolution (**Attachment 4**) fixes the NDC at its existing level but suspends collection of the charge, consistent with the recommendation from Phase 1 of the Rate Refinement Process (RRP).

## **Policy**

---

Administrative Code Section 4304(g)(h)

## **Board Options/Fiscal Impacts**

---

### **Proposed Actions**

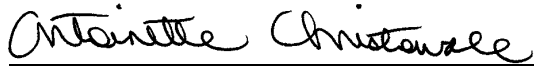
1. Adopt the water rates and charges as defined above for FY 2000-01 effective January 1, 2001 as required by Metropolitan Administrative Code Section 4304.
2. Approve the following resolutions:
  - a) Resolution to fix and adopt the readiness-to-serve (RTS) charge for FY 2000-01 in the form shown as **Attachment 3** to this letter.
  - b) Resolution of intention to impose a new demand charge (NDC) at the current level and suspend collection of the charge for Fiscal Year 2000-01, in the form shown as **Attachment 4** to this letter.
3. Find that the setting of rates and charges recommended in this letter is exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080(b)(8), since it is for the purposes of: (a) meeting operating expenses; (b) purchasing or leasing supplies, equipment or materials; (c) meeting financial reserve needs and requirements; and (d) obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, it is exempt from CEQA under State CEQA Guidelines 15378 (b)(5), since it constitutes the creation of government funding mechanisms, which does 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.

**Estimated Fiscal Impact: \$525,000**

**Staff Recommendation**

---

Staff recommends approval

  
for Lambertus H. Becker  
Chief Financial Officer

2/18/2000  
Date

  
General Manager

2/24/2000  
Date

**Attachment 1 – Detailed Report**

**Attachment 2 – Public Comments on Rates and Charges and Responses to Public Comments**

**Attachment 3 – RTS Charge Resolution**

**Attachment 4 – NDC Resolution**

## **DETAILED REPORT**

### **Rate Setting Process**

Administrative Code Section 4304(c) requires the General Manager to present recommendations for water rates for the next fiscal year based on the Budget and Finance Committee's determination of required water revenues. In December 1999, the Budget and Finance Committee considered and approved the General Manager's determination of the revenues to be derived from water sales during Fiscal Year (FY) 2000-01 in Board Letter 9-5, entitled "Determination of water revenue requirements for fiscal year 2000-01" (Revenue Requirements Letter)".

In January, the Budget and Finance Committee considered the General Manager's recommendations for water rates and charges for FY 2000-01. Also in January, the Resolutions of Intent to impose the RTS (including the water standby charge) and the NDC (and suspend collection of the NDC) in FY 2000-01 were considered, and a public hearing on water rates and charges was set.

In February, the Budget and Finance Committee conducted a public hearing on the proposed water rates and charges. This letter is for your consideration of the adoption of the water rates and charges, other than the water standby charge. A public hearing on the standby charge is scheduled for April 2000, and the Board will consider the Resolution to impose the FY 2000-01 water standby charge in May.

Current estimates indicate that approximately \$694 million of revenue must be recovered from the sale of water in FY 2000-01. The rates and charges that must be levied during the next fiscal year to generate this required revenue are described below.

### **Rates**

#### **Seasonal Storage Shift Rate**

The Seasonal Storage Shift rate is proposed to increase \$11 per acre-foot to \$277 per acre-foot for untreated water and \$334 per acre-foot for treated water. Phase 1 of the Rate Refinement Process (RRP) recommended that the Seasonal Storage Shift rate be more closely aligned with the benefits of shifting purchases from summer to winter. This recommendation was approved by the Board in July 1996, and is reflected in the proposed rate change.

#### **Wheeling Rates**

Pending an appeal of the Superior Court's decision not to validate system wide wheeling rates adopted by the Board in January 1997, it is recommended that Metropolitan consider requests for wheeling service on a case by case basis.

### Other Rates

As cited earlier, it is recommended that the full service rate, agricultural rate, long-term seasonal storage rate, reclaimed water rate and treatment surcharge remain unchanged in FY 2000-01. Current projections indicate the treatment surcharge may need to increase in either calendar year 2002 or 2003 depending on the level of treated water sales and the cost of providing treated water service.

### **Charges**

#### Readiness-to-Serve Charge (RTS)

The RTS charge recovers a portion of the principal and interest payments on non-tax supported debt service that has been or will be issued to fund capital improvements (e.g. Diamond Valley Lake) necessary to meet the continuing reliability and water quality needs associated with current demands. Recognizing the need to increase fixed revenue and reduce the dependency on water sales revenues, the RRP Phase 1 recommendations, approved by the Board in July 1996, included a five-year schedule of stepped increases of \$8 million per year in the RTS charge to develop fixed revenues of \$104 million by FY 2000-01. In fiscal years 1998-99 and 1999-00, the Board deferred the scheduled increases in the RTS charge.

The General Manager's recommended rates and charges would reinstate the planned increase in the RTS of \$8 million per year on January 1, 2001. This would result in increased revenues of \$4 million in FY 2000-01. However, after consideration of such factors as current increasing sales trends and lower than expected costs and the on-going Strategic Plan rate design efforts, the Budget and Finance Committee amended the General Manager's recommendation and directed staff to hold the RTS charge at its current level of \$80 million. Preliminary RTS charges for each member agency for FY 2000-01 are detailed in Attachment 1 (Table 1).

The RTS charge is allocated to each member agency on the basis of average historic water purchases from Metropolitan, including sales for consumptive demands, agriculture, and storage. For fiscal years 1997-98 through 2000-01, an agency's share of the RTS is based on the average of Metropolitan sales for the three consecutive fiscal years ending June 30, 1996. The allocation of the RTS charge among the member agencies will be reconsidered as part of the on-going rate design process.

The proposed form of resolution of the Board declaring its intention to impose the RTS charge at the current level of \$80.0 million as of January 1, 2001, and notifying the member agencies of this intention is attached as Attachment 3. An Engineer's Report explaining the basis for the charge and the allocation of the charge among member agencies is attached to this resolution.

#### Standby Charge

During the process to establish the rates and charges for FY 1995-96, member agencies were provided the option to request that Metropolitan impose a standby charge on parcels of land in the agency's service area. Revenue from member agencies that opted to retain the standby charge will be credited against the member's RTS charge obligation. Any standby charge revenues in excess of the member agency's RTS charge obligation will be credited to the

agency's other obligations to Metropolitan or carried forward to next year. **Any member agency for whom Metropolitan currently imposes a standby charge and who no longer wishes to have the charge imposed must notify Metropolitan by letter, which must be delivered to the Chief Financial Officer no later than March 31, 2000.**

The Budget and Finance Committee is scheduled to hold a public hearing in February on Metropolitan's intention to impose the RTS charge. This hearing will include the water rates and other charges to be levied for FY 2000-01. Additionally, Metropolitan will provide the necessary notice or notices to the public in the areas where standby charges have been requested and the Board will hold a public hearing in April for interested parties to present comments or protest the proposed water standby charge. It is anticipated that the Board will take action on the proposed standby charges at its meeting in May.

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

#### Other Charges

It is also recommended that the connection maintenance charge remain unchanged at \$50 per cubic foot per second of measured billing flow.

A five-year projection of Metropolitan's costs, revenues and water sales is shown in Attachment 2 (Table 2). In addition, a five-year forecast of rates and charges are included in Attachment 2 (Table 3). The increase in projected water rates is less than those included in the RRP Phase 1 recommendations, as no rates, other than the Seasonal Storage Shift water rates, are forecast to increase through FY 2000-01.

#### **CEQA**

The recommendations made in this letter are exempt from the California Environmental Quality Act (CEQA) by Public Resources Code Section 21080(b)(8), the recommendations are exempt because since they recommend setting of rates and charges for the purposes of: (1) meeting operating expenses; (2) purchasing or leasing supplies, equipment or materials; (3) meeting financial reserve needs and requirements and (4) obtaining funds for capital projects necessary to maintain service within existing service areas; and, additionally, 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, or which will have CEQA documentation in place prior to construction of any facility or facilities.

**TABLE 1  
PRELIMINARY FY2001 RTS CHARGE**

Member Agency	3-Year Average Demands (Acre-Foot) <sup>1</sup>	RTS Share	6 months @ \$80 million 7/00-12/00	6 months @ \$88 million 1/01-6/01	Total RTS Charge Revenues	Estimated Gross Standby Charge Revenues At Existing Parcel Rates <sup>2</sup>
Anaheim	18,709	1.24%	494,708	494,708	989,416	584,534
Beverly Hills	12,941	0.86%	342,189	342,189	684,379	-
Burbank	16,523	1.09%	436,905	436,905	873,811	399,012
Calleguas	87,849	5.81%	2,322,926	2,322,926	4,645,852	2,365,453
Central Basin	69,047	4.56%	1,825,759	1,825,759	3,651,517	3,538,689
Coastal	39,958	2.64%	1,056,580	1,056,580	2,113,160	992,709
Compton	3,725	0.25%	98,497	98,497	196,995	161,526
Eastern	48,240	3.19%	1,275,575	1,275,575	2,551,149	2,610,863
Foothill	7,961	0.53%	210,507	210,507	421,014	310,042
Fullerton	7,457	0.49%	197,180	197,180	394,360	356,690
Glendale	26,456	1.75%	699,556	699,556	1,399,113	544,607
Inland Empire	34,369	2.27%	908,794	908,794	1,817,588	1,685,784
Las Virgenes	18,014	1.19%	476,331	476,331	952,662	504,488
Long Beach	42,539	2.81%	1,124,827	1,124,827	2,249,655	1,073,234
Los Angeles	164,220	10.86%	4,342,348	4,342,348	8,684,696	-
MWDOC	177,584	11.74%	4,695,722	4,695,722	9,391,445	6,096,505
Pasadena	14,824	0.98%	391,980	391,980	783,960	430,320
San Diego	407,484	26.94%	10,774,798	10,774,798	21,549,596	12,225,636
San Fernando	106	0.01%	2,803	2,803	5,606	40,444
San Marino	1,327	0.09%	35,089	35,089	70,178	40,976
Santa Ana	12,633	0.84%	334,045	334,045	668,090	422,086
Santa Monica	5,008	0.33%	132,423	132,423	264,846	-
Three Valleys	58,267	3.85%	1,540,711	1,540,711	3,081,422	1,850,011
Torrance	20,311	1.34%	537,069	537,069	1,074,137	461,381
Upper San Gabriel	7,163	0.47%	189,406	189,406	378,812	1,935,877
West Basin	153,155	10.12%	4,049,764	4,049,764	8,099,529	-
Western	56,860	3.76%	1,503,507	1,503,507	3,007,014	3,280,377
<b>MWD</b>	<b>1,512,730</b>	<b>100.00%</b>	<b>\$ 40,000,000</b>	<b>\$ 40,000,000</b>	<b>\$ 80,000,000</b>	<b>\$ 41,911,244</b>

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

(2) Based on estimates as of 11/19/99

**TABLE 2**

**PROJECTED FY2001 WATER REVENUE REQUIREMENTS**

(Cash Basis: \$ in thousands)

	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
<b>Expenditures</b>						
State Water Contract	\$ 265,800	\$ 287,995	\$ 304,549	\$ 298,518	\$ 297,216	\$ 292,134
Colorado River Aqueduct	33,600	60,126	60,069	59,690	55,383	56,554
Deposit to Transfer Fund	10,000	-	-	-	-	-
Withdrawal from Transfer Fund for DVL Fill	(2,246)	(28,216)	(19,210)	(3,633)	-	-
Water Management Programs	29,797	33,231	38,502	45,676	47,571	50,177
Capital Program Financing	354,700	335,825	347,587	364,453	364,774	373,963
O&M and Operating Equipment	<u>209,028</u>	<u>213,051</u>	<u>217,191</u>	<u>217,425</u>	<u>227,215</u>	<u>231,630</u>
Sub-Total Costs	\$ 900,679	\$ 902,011	\$ 948,689	\$ 982,129	\$ 992,159	\$ 1,004,459
<b>Adjustments</b>						
Increase/(Decrease) in Required Reserves	<u>(19,229)</u>	<u>23,427</u>	<u>8,648</u>	<u>4,063</u>	<u>11,725</u>	<u>15,576</u>
<b>Total Obligations</b>	\$ 881,450	\$ 925,438	\$ 957,338	\$ 986,193	\$ 1,003,884	\$ 1,020,035
<b>Less Other Revenues</b>						
Property Taxes	\$ (90,000)	\$ (91,800)	\$ (93,636)	\$ (93,430)	\$ (93,543)	\$ (93,547)
Interest Income	(36,700)	(39,072)	(39,976)	(40,350)	(42,470)	(45,731)
Power and Miscellaneous Revenue	(13,400)	(13,753)	(14,062)	(14,186)	(14,513)	(14,938)
Contracts	-	-	-	-	(658)	(2,673)
Readiness to Serve Charge	(80,000)	(80,000)	(84,000)	(92,000)	(100,000)	(104,000)
Connection Maintenance Charge	<u>(2,849)</u>	<u>(2,849)</u>	<u>(2,849)</u>	<u>(2,849)</u>	<u>(2,849)</u>	<u>(2,849)</u>
Sub-Total Other Revenues	\$ (222,949)	\$ (227,473)	\$ (234,522)	\$ (242,814)	\$ (254,032)	\$ (263,737)
<b>Total Water Revenue Requirement</b>	\$ 658,501	\$ 697,964	\$ 722,815	\$ 743,379	\$ 749,852	\$ 756,298
Water Sales Revenue	\$ 667,990	\$ 693,899	\$ 718,005	\$ 753,260	\$ 783,074	\$ 798,813
Increase (Decrease) in Reserve Balances	\$ 9,489	\$ (4,066)	\$ (4,810)	\$ 9,881	\$ 33,222	\$ 42,515
<b>Water Sales (Cash Year TAF)</b>						
Basic Treated	1,021	1,084	1,106	1,153	1,187	1,216
Basic Untreated	342	387	395	410	426	420
Seasonal Treated	156	98	146	158	168	168
Seasonal Untreated	88	128	130	142	155	157
Agricultural Treated	83	92	81	80	81	79
Agricultural Untreated	<u>14</u>	<u>17</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
Total	1,704	1,807	1,870	1,955	2,029	2,052
<b>Reserve Levels</b>						
Maximum Reserve Level	\$ 307,565	\$ 314,595	\$ 318,792	\$ 321,398	\$ 329,063	\$ 346,890
Projected Reserve Level	\$ 268,692	\$ 274,113	\$ 281,415	\$ 297,499	\$ 336,645	\$ 383,841
Minimum Reserve Level	\$ 127,503	\$ 132,990	\$ 137,102	\$ 135,305	\$ 137,230	\$ 141,910



**TABLE 3**  
**PROJECTED RATES AND CHARGES (Effective January 1, 2001)**  
 (Cash Basis: \$ in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Readiness to Serve Charge</b>	\$ 80,000	\$ 80,000	\$ 88,000	\$ 96,000	\$ 104,000	\$ 104,000
<b>Connection Maintenance Charge</b>	\$ 2,849	\$ 2,849	\$ 2,849	\$ 2,849	\$ 2,849	\$ 2,849
<b><u>WATER RATES (\$/AF)</u></b>						
<b>Basic Treated</b>	\$431	\$431	\$431	\$433	\$435	\$437
<b>Basic Untreated</b>	\$349	\$349	\$349	\$349	\$349	\$354
<b>Seasonal Long-Term Treated</b>	\$290	\$290	\$292	\$294	\$296	\$302
<b>Seasonal Shift Treated</b>	\$323	\$334	\$348	\$350	\$352	\$359
<b>Seasonal Long-Term Untreated</b>	\$233	\$233	\$233	\$233	\$233	\$237
<b>Seasonal Shift Untreated</b>	\$266	\$277	\$289	\$289	\$289	\$294
<b>Agricultural Treated</b>	\$294	\$294	\$296	\$298	\$300	\$307
<b>Agricultural Untreated</b>	\$236	\$236	\$236	\$236	\$236	\$241

**Note:**  
 Rates are based on current cost projections and projections of increasing water sales.  
 Actual rates and charges may be different from these projections, if actual conditions vary significantly from the expected forecast.

**Public Comments on Water Rates and Charges**  
Received by the Budget and Finance Committee  
February 7, 2000

**Mr. Harold Ball** – Director Helix Water District and San Diego County Water Authority

Mr. Ball stated that it was his understanding that the January Board letter on water rates and charges proposed that, with the exception of the Shift Seasonal Storage Rate, Metropolitan's water rates would remain the same in Fiscal Year (FY) 2000-2001. He also noted that the same letter and the December 1999 Revenue Requirements Letter continue to report that Metropolitan's estimated water sales for FY 1999-2000 are 1.7 million acre-feet. Given current conditions, Mr. Ball estimated that Metropolitan would actually sell 1.96 million to over 2.0 million acre-feet in FY 1999-2000. He indicated that this would result in \$87 million to \$100 million in additional revenue for Metropolitan or an \$50 per acre-foot sold. Mr. Ball stated that it is time for Metropolitan to reduce rates, not raise them or keep them the same. Nor should it be used to pay down Metropolitan's debt. He noted that Helix is not a growing district and that it also has improvements that need to be made. Mr. Ball also stated that Helix supports Diamond Valley Lake but that it should be debt financed as originally plan. Finally, he urged Metropolitan to devise plan to return additional revenues to its member agencies.

**Marie Whaling** – member of the public from the city of Fullerton

Ms. Whaling stated that she agreed with the comments of the previous speaker (Mr. Ball) that any surplus should be returned and she also wanted to know what the Stand-By and Readiness-to-Serve charges were.

February 16, 2000

Ms. Marie Whaling  
c/o City Clerk's Office  
City of Fullerton  
303 W. Commonwealth Avenue  
Fullerton, CA 92832

Dear Ms. Whaling:

Thank you for your comments made during the February 7, 2000, public hearing on Metropolitan's proposed water rates and charges for fiscal year 2000-2001.

The report on water sales presented at the February 7, 2000, Budget and Finance Committee Meeting for fiscal year 1999-2000 was preliminary. Actual water sales will be known at the end of the cash year, May 2000. However, the impact of actual water sales on Metropolitan reserve levels will not be determined until the end of the fiscal year, June 30, 2000. A public presentation of actual water sales and the corresponding impact on reserve levels will be presented no later than the August 2000 meeting of the Budget and Finance Committee.

To help you understand the purpose of Metropolitan's Standby and Readiness-to-Serve Charges, please refer to Attachments 1 and 3 included in the attached March 14, 2000 Water Rates and Charges board letter for fiscal year 2000-01. A separate copy is provided for your review.

We appreciate hearing your comments and hope this addresses your concerns.

Very truly yours,

Lambertus H. Becker  
Chief Financial Officer

AC/mb

Attachment

February 16, 2000

Mr. Harold Ball, Director  
San Diego County Water Authority  
3211 Fifth Avenue  
San Diego, CA 92103

Dear Mr. Ball:

Thank you for your comments made during the February 7, 2000, public hearing on Metropolitan's proposed water rates and charges for fiscal year 2000-2001.

The report on water sales presented at the February 7, 2000, Budget and Finance Committee Meeting for fiscal year 1999-2000 was preliminary. Actual water sales will be known at the end of the cash year, May 2000. However, the impact of actual water sales on Metropolitan reserve levels will not be determined until the end of the fiscal year, June 30, 2000. A public presentation of actual water sales and the corresponding impact on reserve levels will be presented no later than the August 2000 meeting of the Budget and Finance Committee.

We appreciate hearing your comments and hope this addresses your concerns.

Very truly yours,

Lambertus H. Becker  
Chief Financial Officer

AC/mb

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 (the “Act”), as an availability of service charge pursuant to Section 134.5 of the 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 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 non-tax funded 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 revenue bonds 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 non-tax funded debt service costs, 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 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's service area;

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; and

WHEREAS, by Resolution 8667, adopted at its meeting held January 11, 2000, 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 8667 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 14, 2000, on the General Manager's recommendation to impose a readiness-to-serve charge for fiscal year 2000-2001 in the amount of \$80,000,000 for the period from July 1, 2000 through June 30, 2001, to be allocated among member agencies and levied as described in Resolution 8667;

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 February 2000, on file with Metropolitan, a copy of which is attached hereto as Attachment 3, Exhibit A;

WHEREAS, the Budget and Finance Committee of the Board conducted a public hearing at its regular meeting on February 7, 2000, 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 February 2000 (Attachment 3, Exhibit A); 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 8667 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 The Metropolitan Water District of Southern California hereby fixes and adopts a readiness-to-serve charge for fiscal year 2000-2001.

**Section 2.** That said readiness-to-serve charge should be in an amount sufficient to provide for payment of the non-tax funded debt service, for capital expenditures for projects needed to meet the reliability and quality needs of existing users of Metropolitan's water; provided, however, that the amount of the readiness-to-serve charge shall be set by the Board 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, 2000 through and including June 30, 2001 shall be a water rate equal to \$52.88 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, 2000 through and including June 30, 2001 shall be \$80,000,000.

**Section 4.** That in the alternative, and without duplication, the readiness-to-serve charge for the period from July 1, 2000 through and including June 30, 2001 shall be a capital facilities fee in the aggregate amount of \$80,000,000, 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 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 proposed amount of the readiness-to-serve charge to be imposed on each member agency for fiscal year 2000-2001 is as follows:



2000-2001 READINESS-TO-SERVE CHARGE

<u>Member Agency</u>	<u>Acre-Feet</u>	<u>RTS Share</u>	<u>Total RTS Charge</u>
Anaheim	18,709	1.24%	\$989,416
Beverly Hills	12,941	0.86	684,379
Burbank	16,523	1.09	873,811
Calleguas	87,849	5.81	4,645,852
Central Basin MWD	69,047	4.56	3,651,517
Coastal	39,958	2.64	2,113,160
Compton	3,725	0.25	196,995
Eastern	48,240	3.19	2,551,149
Foothill	7,961	0.53	421,014
Fullerton	7,457	0.49	394,360
Glendale	26,456	1.75	1,399,113
Inland Empire UA	34,369	2.27	1,817,588
Las Virgenes MWD	18,014	1.19	952,662
Long Beach	42,539	2.81	2,249,655
Los Angeles	164,220	10.86	8,684,696
MWDOC	177,584	11.74	9,391,445
Pasadena	14,824	0.98	783,960
San Diego CWA	407,484	26.94	21,549,596
San Fernando	106	0.01	5,606
San Marino	1,327	0.09	70,178
Santa Ana	12,633	0.84	668,090
Santa Monica	5,008	0.33	264,846
Three Valleys MWD	58,267	3.85	3,081,422
Torrance	20,311	1.34	1,074,137
Upper San Gabriel	7,163	0.47	378,812
West Basin MWD	153,155	10.12	8,099,529
Western MWD	56,860	3.76	3,007,014
<b>MWD</b>	<b>1,512,730</b>	<b>100.00%</b>	<b>\$80,000,000</b>

**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 shall any member agency's readiness-to-serve charge be based on less than the following minimum sales (in acre feet) for each member public agency:

2000-01 ACRE FOOT  
MEMBER AGENCY MINIMUM SALES

MEMBER AGENCY	MINIMUM RTS (AF)	RTS %
City of Anaheim	8,386.9	1.09%
City of Beverly Hills	6,393.2	0.83
City of Burbank	9,790.4	1.27
Calleguas MWD	43,534.3	5.67
Central Basin MWD	32,130.0	4.18
Coastal MWD	19,457.5	2.53
City of Compton	2,512.9	0.33
Eastern MWD	24,810.5	3.23
Foothill MWD	3,920.4	0.51
City of Fullerton	3,834.4	0.50
City of Glendale	13,228.0	1.72
Inland Empire Utility Agency	15,200.9	1.98
Las Virgenes MWD	8,796.2	1.15
City of Long Beach	18,902.9	2.46
City of Los Angeles	113,942.2	14.83
MWD of Orange County	79,695.8	10.38
City of Pasadena	5,083.2	0.66
San Diego CWA	203,910.3	26.55
City of San Fernando	105.4	0.01
City of San Marino	663.5	0.09
City of Santa Ana	6,072.6	0.79
City of Santa Monica	2,508.6	0.33
Three Valleys MWD	28,908.1	3.76
City of Torrance	10,155.7	1.32
Upper San Gabriel VA	4,462.6	0.58
West Basin MWD	74,669.7	9.72
Western MWD of Riverside	<u>27,033.7</u>	<u>3.52</u>
<b>ALL MEMBER AGENCIES</b>	<b>768,109.6</b>	<b>100.00%</b>

(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 (Attachment 3, Exhibit A). 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 17 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 collected by reimposition of the Metropolitan water standby charge at the same rates imposed in fiscal 1996-97 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 (Attachment 3, Exhibit A) which was prepared by a registered professional engineer certified by the State of California.

**Section 14.** The proposed water standby charge includes the reimposition of water standby charges on parcels with respect to which water standby charges have been imposed in fiscal year 1996-97 and annually thereafter ("pre-1997 standby charges") and the levy of standby charges on parcels annexed to Metropolitan and to an electing member agency after January 1997 ("post-1997 standby charges"). Only land within each electing member public agency with respect to which standby charges were imposed in fiscal 1996-97 will be subject to the reimposition of pre-1997 standby charges for fiscal 2000-2001. Only land annexed to Metropolitan and to an electing member public agency with respect to which standby charges were approved in accordance with the procedures of Article XIID, Section 4 of the California Constitution after fiscal year 1996-97 will be subject to the imposition or reimposition, as the case may be, of post-1997 standby charges for fiscal year 2000-2001. The Engineer's Report lists parcels annexed or to be annexed to Metropolitan and to electing members during the 1999-2000 fiscal year, such parcels being subject to the post-1997 standby charge. Parcels in the Engineer's Report are subject to post-1997 standby charges unless otherwise indicated. These parcels are identified in a listing filed with the Executive Secretary.

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

**2000-2001 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
Coastal MWD	11.60
Compton	8.92
Eastern MWD	6.94
Foothill MWD	10.28
Fullerton	10.71
Glendale	12.23
Inland Empire Utility Agency	7.59
Las Virgenes MWD	8.03
Long Beach	12.16
Los Angeles	-0-
MWD of Orange Co.	10.09
Pasadena	11.73
San Diego CWA	11.51
San Fernando	7.87
San Marino	8.24
Santa Ana	7.88
Santa Monica	-0-
Three Valleys MWD	12.21
Torrance	12.23
Upper San Gabriel Valley MWD	9.27
West Basin MWD	-0-
Western MWD of Riverside Co.	9.23

**Section 16.** That with respect to post-1997 standby charges, the Engineer's Report separates the special benefits from the general benefits and identifies each of the parcels on which a special benefit is conferred. No post-1997 standby charge on any parcel exceeds the reasonable cost of the proportional special benefit conferred on that parcel, as shown in the Engineer's Report.

**Section 17.** 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 18.** That notice is hereby given to the public and to each member public agency of The Metropolitan Water District of Southern California of the intention of Metropolitan's Board to consider and take action at its regular meeting to be held March 14, 2000, on the General Manager's recommendation to impose a readiness-to-serve charge for fiscal year 2000-2001 as provided in this Resolution. The Budget and Finance Committee of Metropolitan's Board will set a public hearing at which interested parties may present their views regarding the proposed readiness-to-serve charge prior to its regular March meeting pursuant to Section 4304(f) of Metropolitan's Administrative Code. Such hearing shall also satisfy the requirements of Section 4304(k) of the Administrative Code.

**Section 19.** 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 9, 2000 (on such other date as the Board shall hold it regular in such month), on the General Manager's recommendation to impose a water standby charge for fiscal year 2000-2001 under authority of Section 134.5 of the Act on land within Metropolitan at the rates, per acre of land, or per parcel of land less than an acre, specified in Section 15 above. Any such water standby charge will be imposed as a means of collecting the readiness-to-serve charge.

**Section 20.** That the Board will meet in regular session at its meeting on April 11, 2000, 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 11, 2000, 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.

**Section 21.** Under the approval procedures of the USCPA, which apply to the reimposition of pre-1997 standby charges, 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 pre-1997 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 pre-1997 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 Metropolitan.

**Section 22.** That it is the intent of the Board that certain lands described in Resolution 8667 shall be exempt from water standby charges, and that the procedures for

application for exemptions and consideration of such applications shall be as specified in Resolution 8667.

**Section 23.** That no failure to collect, and no delay in collecting, any standby charges shall excuse or delay payment of any portion of the readiness-to-serve charge when due. All amounts collected as water standby charges pursuant to this Resolution shall be applied solely as credits to the readiness-to-serve charge of the applicable member agency, with any excess collections being carried forward and credited against other outstanding obligations of such member agency to Metropolitan.

**Section 24.** That 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 25.** That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

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

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

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 14, 2000.

---

Executive Secretary  
The Metropolitan Water District  
of Southern California



**EXHIBIT A****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 2000-2001****February, 2000****BACKGROUND**

The Metropolitan Water District of Southern California is a public agency with a primary purpose to provide imported water supply for domestic and municipal uses at wholesale rates to its member public agencies. More than 16 million people reside within Metropolitan's service area, which is comprised of 5,168 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. Currently, Metropolitan provides over 50 percent of the water used within its service area.

**REPORT PURPOSES**

As part of its role as an imported water supplier, Metropolitan builds capital facilities and implements water management programs which ensure reliable water supplies throughout its service area. The purpose of this report is to: (1) identify and describe those facilities and programs which will be financed in part by Metropolitan's readiness-to-serve (RTS) charge in FY 2000-2001, and (2) describe the method and basis for levying Metropolitan's standby charge on benefiting properties for those agencies electing to collect a portion of their RTS obligations through Metropolitan's standby charge.

Metropolitan levies the RTS charge on its member agencies to recover a portion of the debt service on bonds issued to finance capital facilities needed to meet existing demands on Metropolitan's system. The standby charge is levied on parcels of land within certain of Metropolitan's member agencies as a method of collecting part or all of a member agency's RTS charge obligation. The RTS charge will partially pay for the capital facilities and programs described in this report. The standby charge, if levied, will be utilized solely for capital payments and debt service on the capital facilities identified in this report.

**METROPOLITAN'S RESPONSE TO GROWING WATER DEMANDS**

To respond to growing demands for water, Metropolitan and its member agencies collectively examined 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 was an Integrated Resources Plan (IRP) for achieving a reliable and affordable water supply for Southern California. The major objective of the IRP was to develop 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.

In response to the IRP, Metropolitan continues to identify and develop additional water supplies to maintain the reliability of its water supply and delivery system to meet the needs of existing and potential consumers within its service area. These efforts include the construction of capital facilities and implementation of water management programs.

### **Capital Facilities**

The capital facilities, include the State Water Project (SWP), the Eastside Reservoir Project, and additional distribution system improvements. These local and system-wide capital projects will directly increase the reliable delivery of water supplies throughout Metropolitan's service area. Table A shows the potential benefits (as measured by Metropolitan's anticipated expenditures for these projects and programs in FY 2000-2001) associated with capital projects and programs.

#### State Water Project (SWP)

In 1960, Metropolitan contracted with the California Department of Water Resources (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 the year 2035, regardless of the amount of SWP water Metropolitan takes. Metropolitan is entitled to over 2 million acre-feet of the total SWP entitlements of 4.2 million acre-feet

All Metropolitan member agencies benefit from the SWP supplies, which are distributed to existing consumers and are available to potential consumers throughout Metropolitan's service area. The potential benefit (as measured by Metropolitan's anticipated expenditures for these projects and programs in FY 2000-2001) of the SWP in FY 2000-2001 is shown in Table A.

#### Diamond Valley Lake (DVL)

Diamond Valley Lake is designed to ensure reliable water supplies to Metropolitan's customers throughout the service area. The DVL will provide 800,000 acre-feet of storage capacity for water from the Colorado River Aqueduct and SWP. The stored water provides a reserve against shortages when supply sources are limited or disrupted. The DVL also preserves Metropolitan's capability to deliver water during scheduled maintenance periods, when conveyance facilities must be removed from service for rehabilitation, repair, or maintenance. The potential benefit of the DVL in FY 2000-2001 is shown in Table A.

#### Distribution 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 the addition of conveyance capacity, the provision of alternative system delivery capacity, and enhance system operations. System Improvements also include 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 C.

### **Water Management Programs**

Water management programs to be financed in part by the RTS charge or the standby charge include Metropolitan's financial support of local recycling, groundwater recovery and conservation programs conducted by local agencies. The water management programs provide new water supplies which help defer the need for additional imported water supply infrastructure, including conveyance, storage, distribution and treatment facilities. A summary of the estimated benefits of the capital facilities and water management programs (as measured by Metropolitan's anticipated expenditures for these projects and programs in FY 2000-2001) is shown in Table A.

#### Local Resources Program

In 1998, Metropolitan's Board adopted the new Local Resources Program (LRP) with the goal of developing local water resources in a cost efficient manner. Financial incentives of up to \$250 per acre-foot are provided to member agency-sponsored projects that best help the region achieve its local resource production goals of restoring degraded groundwater resources for potable use and developing recycled supplies. In both instances, the programs provide new local water supplies and help defer the need for additional investments in imported water supply infrastructure.

Combined production from participating recycling and groundwater recovery projects is expected to yield approximately 94,000 acre-feet of water for FY 2000-2001 with financial incentive payments of about \$18.2 million. A regional recycling and recovered groundwater goal of 500,000 acre-feet per year has been set for the year 2020. Currently, there is a projected shortfall of approximately 40,000 acre-feet in achieving this goal. Project participation to eliminate the shortfall will be pursued through the LRP competitive-proposal process at two-year intervals. An estimate of potential incentive payments for recycling and groundwater recovery projects is given in Table B.

#### Conservation Credits Program

Metropolitan actively supports water conservation programs within its service area as a cost-effective strategy for ensuring the long-term reliability of supplies. Through the Conservation Credits Program, Metropolitan reimburses local agencies for a share of their costs of implementing conservation projects. Since FY 1990-91, Metropolitan has spent over \$100 million to support local conservation projects.

In 1991, Metropolitan agreed to implement conservation "Best Management Practices" (BMPs). By signing the Memorandum of Understanding Regarding Urban Water Conservation in California, Metropolitan committed to implement proven and reliable water conserving technologies and educational programs for conservation within its jurisdiction. Based on Metropolitan's IRP, the Conservation Credits Program, in conjunction with plumbing codes and other conservation efforts, is expected to save more than 500,000 acre-feet in FY 2000-2001. By 2020, it is assumed that conservation practices will save approximately 1,072,000 acre-feet

annually. Each year as more information becomes available, Metropolitan continuously revises estimates of conservation.

Conservation is a critical element of efficient resource management, effectively increasing the reliability of existing water supplies and lessening the need to import additional water. An estimate of potential water conservation projects is given in Table B.

## **LONG-RANGE FINANCIAL PLANNING**

Since the 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. Metropolitan's major capital improvements are therefore financed primarily by water revenue bonds.

The increased reliance on variable water sales revenue caused by changing weather conditions raises the probability of substantial rate swings from year to year. Rate swings place a burden on current rate payers, a portion of which is more equitably paid in part by assessments on land that in part derives its value from the availability of water. In December 1993, Metropolitan's Board of Directors approved a new revenue structure that included additional charges to help stabilize revenue variable water sales revenues and establish a commitment to Metropolitan's capital improvement program. This new revenue structure included the Readiness-To-Serve (RTS) charge.

### **Readiness-To-Serve Charge**

As noted above, Metropolitan levies the RTS charge on its member agencies to recover a portion of the debt service on bonds issued to finance capital facilities needed to meet existing demands on Metropolitan's system. Estimated potential benefits of \$304 million that could be paid by the RTS charge in FY 2000-2001 are shown in Table A. 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. For FY 2000-2001, this amount is \$80,000,000. In addition to Diamond Valley Lake, the capital projects considered for the RTS charge are shown in Table C. The RTS charge revenues, when combined with Metropolitan's other revenue sources, will result in greater water rate stability for all Metropolitan customers. The RTS charge for FY 2000-2001 is allocated to each member agency on the basis of a three-year average of historic water purchases from Metropolitan for the three fiscal years ending June 30, 1996. This average includes sales for consumptive demands, agriculture, and storage. The RTS charge for each member agency is shown in Table D.

### **Standby Charge Option**

Metropolitan's standby charge is authorized by the State Legislature and has been levied by Metropolitan since FY 1992-93. 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. Utilization of the standby charge transfers some of the burden of maintaining Metropolitan's capital infrastructure from water rates to all the benefiting properties within the service area. A portion of the value of the benefit and of the cost of providing it can be effectively recovered, in part,

through a standby charge. The projects to be supported in part by a standby charge are capital projects that benefit 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.

Metropolitan will levy standby charges only within the service areas of the member agencies that request that the standby charge be utilized. 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 will be the same as those imposed by Metropolitan in FY 1996-97 and are shown in Table E.

The proposed water standby charge includes the reimposition of water standby charges on parcels with respect to which water standby charges have been imposed in FY 1996-97 and annually thereafter ("pre-1997 standby charges") and the levy of standby charges on parcels annexed to Metropolitan and to an electing member agency after January 1997 ("post-1997 standby charges"). Only land within each electing member public agency with respect to which standby charges were imposed in FY 1996-97 will be subject to the reimposition of pre-1997 standby charges for FY 2000-2001. Only land annexed to Metropolitan and to an electing member public agency with respect to which standby charges were approved in accordance with the procedures of Article XIID, Section 4 of the California Constitution after FY 1996-97 will be subject to the imposition or reimposition, as the case may be, of post-1997 standby charges for FY 2000-2001. The Engineer's Report lists parcels annexed or to be annexed to Metropolitan and to electing members during FY 1999-00, such parcels being subject to the post-1997 standby charge. Parcels in the Engineer's Report are subject to post-1997 standby charges unless otherwise indicated. These parcels are identified in a listing filed with the Executive Secretary.

All non-exempt parcels within the areas served by member agencies which utilized the standby charge to recover all or a portion of that agency's RTS obligation, and which are not listed in Table F as being subject to annexation standby charges, shall be subject to pre-1997 standby charges. A list of parcels subject to pre-1997 standby charges is on file with the Executive Secretary.

The estimated potential benefits of Metropolitan's water supply program, that could be paid by a standby charge, is approximately \$304 million for FY 2000-2001, as shown in Table A. An average total standby charge of about \$73 per acre of land or per parcel of less than one acre within the boundaries of each electing agency would be necessary to pay for the total potential program benefits. A minimum benefit in this amount will accrue to each acre of property and parcel, as these properties are eligible to use Metropolitan water. Because only properties located within Metropolitan's boundaries may receive water supplies from Metropolitan (except for certain contractual deliveries as permitted under Section 131 of the Metropolitan Water District Act), any benefit received by the public at large or by properties outside of the proposed area to be annexed is merely incidental. It is estimated that the general benefit portion of the benefit received from the improvements to be financed in part through the proposed water standby charge is less than five percent of the total benefit.

Table E shows that the distribution of standby charge revenues from the various counties and agencies will provide a net revenue flow of approximately \$42 million for FY 2000-2001.

Metropolitan will use other revenue sources, such as water sales revenues, RTS 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 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 that 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 SWP, Colorado River, DVL, 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 SWP and DVL 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 SWP, the DVL and the distribution system improvements, water management programs: (1) increase the future reliability of water supplies; and (2) provide system-wide benefits by increasing the amount of imported water available to serve all other areas which helps 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 low water sales or drought. 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 FY 2000-2001, 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 RTS charge, up to the standby charge per acre or parcel of less than one acre levied by Metropolitan within the applicable member agency for FY 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 2000-2001 standby charge for each is available in the office of the Chief Financial Officer.

Prepared Under the Supervision Of:

B. Anatole Falagan RCE 45669  
Assistant Group Manager

Prepared Under the Supervision Of

Wally M. Lieu RCE 27124  
Assistant Section Manager

**TABLE A**

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

	Estimated Potential Program Benefits FY 1999-00	\$ Per Acre or \$ Per Parcel Less Than 1 Acre
<b>Water Transmission Storage and Supply Program</b>		
Net Capital Payments to State Water Project (Less Portion Paid by Property Tax Revenue)	\$102,401,046	\$24.59
Debt Service for Water Storage Including the Eastside Reservoir Project	\$78,885,972	\$18.95
Debt Service for System Improvements (less Portion Paid by Treatment Surcharge)	\$89,695,565	\$21.54
<b>Sub-Total Capital and Debt Service Payments</b>	<b>\$270,982,583</b>	<b>\$65.08</b>
less Estimated Standby Charge Revenues	(\$41,911,244)	(\$10.07)
Remaining Capital and Debt Service Costs Recovered by RTS, Water Sales, Interest Income and Other Revenues	\$229,071,339	\$55.02
<b>Water Management Programs: Water Recycling, Groundwater Recovery and Water Conservation Projects</b>	<b>\$33,231,000</b>	<b>\$7.98</b>
Sub-Total Capital, Debt Service and Water Management Programs Costs not Paid by Standby Charge Revenues	\$262,302,339	\$63.00
<b>Total Costs: Capital, Debt Service and Water Management Programs</b>	<b>\$304,213,583</b>	<b>\$73.06</b>



**TABLE B**

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

<b>Project Name</b>	<b>FY 2000-01 Payment</b>
<b>Water Recycling Projects</b>	<b>\$13,158,000</b>
Burbank Reclaimed Water System Expansion Project	
Calabasas Reclaimed Water System Expansion	
Carbon Canyon Reclamation Project	
Century Reclamation Program	
Cerritos Reclaimed Water Expansion Project	
Conejo Creek Diversion Project	
Eastern Reach 1, Phase II Water Reclamation Project	
Eastern Regional Reclaimed Water System	
Encina Basin Water Reclamation Project Phase I	
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, <b>Phase 1</b>	
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	
<b>Santa Monica Dry-Weather Runoff Reclamation Facility</b>	
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	
West Basin Water Reclamation Project	

**TABLE B (Continued)**

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

Project Name	FY 2000-01 Payment
<b>Groundwater Recovery Projects</b>	<b>\$5,073,000</b>
Arlington Basin Groundwater Desalter Project	
Beverly Hills Desalter	
Burbank Lake Street Plant	
Capistrano Beach Desalter	
Chino Basin Desalination Program, Phase I	
Colored Water Treatment Facility	
Glenwood Nitrate Water Reclamation Project	
Irvine Desalter Project	
Lower Sweetwater River Groundwater Demineralization Project, Phase I	
Madrona Desalination Facility Project	
Menifee Basin Desalter	
Oceanside Desalter - Phase I	
Oceanside Desalter, Phase II	
Rowland Groundwater Treatment Plant	
San Juan Basin Desalter	
Santa Monica GW Treatment Plant	
Sepulveda Desalination Facility Project	
Temescal Basin Desalting Facility	
Tustin Desalter Project	
West Basin (No. 1)	
Westlake Wells - Tapia WRF Intertie Project	
<b>Conservation Projects</b>	<b>\$15,000,000</b>
Commercial and Industrial Water Evaluations and Retrofits	
Indoor and Outdoor Residential Water Audits	
Landscape Education Programs	
Landscape Water Conservation	
Pilot Projects for "Potential" Best Management Practices	
Showerhead Retrofits	
Ultra-low-flush Toilet Retrofits	
Water and Energy Conservation Partnership	
<b>Total</b>	<b>\$33,231,000</b>

**TABLE C**

**DISTRIBUTION SYSTEM IMPROVEMENTS PROJECT BENEFITS**

<b>Distribution System Improvement</b>
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 - Replace Valves
Garvey Reservoir - Floating Cover
Garvey Reservoir - Inlet & Outlet Conduit
Garvey Reservoir - Junction Structure
Garvey Reservoir - Modify Desilting Basins
Gene Pump Plant - Mechanical Maintenance Shop
Gene Pump Plant - Replace 230KV Circuit Breaker

**TABLE C**

**DISTRIBUTION SYSTEM IMPROVEMENTS PROJECT BENEFITS**

<b>Distribution System Improvement</b>
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
Oak St Pressure Control Station - Valve Replacement
OC Reservoir - Modify Electrical Control Center
Orange County Feeder Relocation
Orange County Feeder - Pressure Relief Structure

**TABLE C**

**DISTRIBUTION SYSTEM IMPROVEMENTS PROJECT BENEFITS**

<b>Distribution System Improvement</b>	
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	
<b>Estimated Fiscal Year 2000-01 Benefit</b>	<b>\$89,695,565</b>

## TABLE D

**FISCAL YEAR 2000-01  
ESTIMATED READINESS-TO-SERVE CHARGE REVENUE**

<b>Member Agency</b>	<b>Amount</b>
Anaheim	\$989,416
Beverly Hills	\$684,379
Burbank	\$873,811
Calleguas	\$4,645,852
Central Basin	\$3,651,517
Coastal	\$196,995
Compton	\$2,551,149
Eastern	\$421,014
Foothill	\$394,360
Fullerton	\$1,399,113
Glendale	\$1,817,588
Inland Empire	\$2,113,160
Las Virgenes	\$952,662
Long Beach	\$2,249,655
Los Angeles	\$8,684,696
Orange County	\$9,391,445
Pasadena	\$783,960
San Diego	\$21,549,596
San Fernando	\$5,606
San Marino	\$70,178
Santa Ana	\$668,090
Santa Monica	\$264,846
Three Valleys	\$3,081,422
Torrance	\$1,074,137
Upper San Gabriel	\$378,812
West Basin	\$8,099,529
Western	\$3,007,014
<b>Total</b>	<b>\$80,000,000</b>

**TABLE E**  
**FISCAL YEAR 2000-01**  
**ESTIMATED STANDBY CHARGE REVENUE**

Member Agencies	Total Parcel Charge	Estimates, see Notes a & b	
		Number Of Parcels Or Acres	Gross Revenues (Dollars)
Beverly Hills			
Burbank	\$ 14.20	28,099	\$399,012
Central Basin MWD	\$ 10.44	338,955	\$3,538,689
Compton	\$ 8.92	18,108	\$161,526
Foothill MWD	\$ 10.28	30,160	\$310,042
Glendale	\$ 12.23	44,530	\$544,607
Las Virgenes MWD	\$ 8.03	62,825	\$504,488
Long Beach	\$ 12.16	88,259	\$1,073,234
Los Angeles			
Pasadena	\$ 11.73	36,685	\$430,320
San Fernando	\$ 7.87	5,139	\$40,444
San Marino	\$ 8.24	4,973	\$40,976
Santa Monica			
Three Valleys MWD	\$ 12.21	151,516	\$1,850,011
Torrance	\$ 12.23	37,725	\$461,381
Upper San Gabriel Valley MWD	\$ 9.27	208,833	\$1,935,877
West Basin MWD			
<b>Los Angeles County Total</b>		1,055,809	\$11,290,607
Anaheim	\$ 8.55	68,367	\$584,534
Coastal MWD	\$ 11.60	85,578	\$992,709
Fullerton	\$ 10.71	33,304	\$356,690
MWD of Orange County	\$ 10.09	604,213	\$6,096,505
Santa Ana	\$ 7.88	53,564	\$422,086
<b>Orange County Total</b>		845,026	\$8,452,524
Eastern MWD	\$ 6.94	376,205	\$2,610,863
Western MWD of Riverside Co. <sup>c</sup>	\$ 9.23	355,375	\$3,280,377
<b>Riverside County Total</b>		731,580	\$5,891,240
Inland Empire UA	\$ 7.59	222,106	\$1,685,784
<b>San Bernardino County Total</b>		222,106	\$1,685,784
Calleguas MWD	\$ 9.58	246,916	\$2,365,453
<b>Ventura County Total</b>		246,916	\$2,365,453
San Diego CWA	\$ 11.51	1,062,175	\$12,225,636
<b>San Diego County Total</b>		1,062,175	\$12,225,636
<b>TOTAL</b>	<b>\$ 10.07</b>	<b>4,163,611</b>	<b>\$41,911,244</b>

Notes: a. The revenues are only an estimate. Actual revenue collected could be less than projected due to tax payment delinquencies.  
b. Based on estimates as of 11/19/99  
c. Includes \$270 in revenue from parcels in Orange County

**Table F**

**PARCELS ANNEXED OR TO BE ANNEXED  
TO METROPOLITAN AND ELECTING MEMBERS  
FISCAL YEAR 1999-2000**

**Riverside County:**

Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 00-01)
38th Fringe	906-020-005	17.73	163.65
	906-020-006	2	18.46
	906-020-007	20.7	191.06
	906-020-008	40.91	377.6
	906-020-010	10.06	92.85
	906-020-011	4.89	45.13
39th Fringe (1)	359-210-026-4	13.73	126.72
	359-210-027-5	34.31	316.68
40th Fringe (1)	949-020-003	15.95	147.22
	949-020-004	23.8	219.67
	949-020-006	15	138.45
Annexation No. 70 (1)	910-220-001	8.81	61.14

**Ventura County:**

Annexation	Parcel Number	Acres	Proposed Standby Charge (FY 00-01)
Calleguas 54	215-0-050-050	0.13	9.58
	215-0-050-075	0.18	9.58
	215-0-050-105	13.01	124.64
	215-0-050-140	54.04	517.7
Calleguas 55	214-0-020-365	40.89	391.72
	214-0-020-375	40.89	391.72
Calleguas 57 (1)	216-0-192-085	0.62	9.58
	216-0-195-015	6.39	61.21
	231-0-040-275	14.96	143.32
	231-0-080-050	4.26	40.81
Calleguas 58 (1)	215-0-070-015	0.27	9.58
	215-0-070-050	0.5	9.58
	215-0-070-060	21.15	202.62
	215-0-070-080	53.31	510.71
Calleguas 59 (1)	183-0-070-090	107	1025.06
Calleguas 60	215-0-020-020	0.04	9.58
	215-0-020-030	1.5	14.37
	215-0-020-040	19.55	187.29
	215-0-020-060	30.56	292.77
Calleguas 61 (1)	229-0-010-100	0.08	9.58
	229-0-010-160	5.54	53.07
	229-0-010-170	54.89	525.85
Calleguas 64(1)	220-0-030-025	14.00	134.12



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

RESOLUTION \_\_\_\_\_

---

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA  
ADOPTING AND SUSPENDING COLLECTION OF  
NEW DEMAND CHARGE FOR 2000-2001**

---

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 (the “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 Act;

WHEREAS, under authority of Sections 133 and 134 of the 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 the payment of other costs, including payment of the interest and principal of Metropolitan’s non-tax funded 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 non-tax funded 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; and

WHEREAS, a work group comprised of Metropolitan and member agency representatives continue to study and evaluate alternatives to the new demand charge.

WHEREAS, by Resolution 8668, adopted at its meeting held January 11, 2000, 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 8668 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 14, 2000, on the General Manager's recommendation to impose a new demand charge for fiscal year 2000-2001 in the amount of \$1,000 per acre foot for all new demands by a member agency on Metropolitan, as described in Resolution 8668;

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 8668 was published prior to the hearings in various newspapers of general circulation within Metropolitan; and

WHEREAS, the Budget and Finance Committee of the Board conducted a public hearing at its regular meeting on February 7, 2000, 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 2000-2001, to be imposed on Metropolitan's member public agencies; 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 2000-2001 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 proposed new demand charge is necessary for the purpose of financing construction costs of public utility facilities furnished by Metropolitan, and does not exceed the proportionate share of the cost of the public utility facilities of benefit to each person or property being charged, based upon the proportionate share of use of those facilities.

**Section 6.** That in the alternative, and without duplication, the new demand charge shall be an availability service charge pursuant to Section 134.5 of the 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 2000-2001, after adjustment for long-term storage water, exceed such member agency's new demand charge base. Long-term seasonal storage service water is defined as water that a member public agency leaves in storage past the end of the fiscal year through avoided production during a period of availability (normally October 1 through April 30). Long-term seasonal storage service, cyclic storage, Cooperative Storage Program, direct groundwater replenishment and contractual long-term storage water deliveries will be excluded from the new demand charge calculation during the year of delivery but will be included in the year of use. Member public agencies shall indicate the amount and year in which the long-term seasonal storage service and direct groundwater replenishment are used within seven years, including the year in which the water was delivered. Cyclic storage, Cooperative Storage Program and contractual long-term storage water deliveries

are considered used in the year the water is sold. 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:

#### **2000-2001 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
Coastal MWD	41,441
Compton	5,026
Eastern MWD	55,603
Foothill MWD	9,610
Fullerton	12,262
Glendale	26,456
Inland Empire Water Agency	76,265
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.	<u>78,177</u>
<b>TOTAL</b>	<b>2,180,451</b>

**Section 9.** That this Board finds and determines that such new demand charge base is a reasonable approximation of each member agency's demands on Metropolitan's system in fiscal year 1995-96, when the new demand charge was initiated. 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 2000-2001 shall be made early in fiscal year 2001-2002. 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 2000-2001, 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 14, 2000.

---

Executive Secretary  
The Metropolitan Water District  
of Southern California