

- **Board of Directors**
Executive Committee

October 17, 2000 Board Meeting

8-7

Subject

Conditional (Informal) Approval for Annexation No. 68, Concurrently to the Calleguas Municipal Water District (Calleguas) and the Metropolitan Water District of Southern California (Metropolitan), and Approval of the Resolution of Intent to Impose Water Standby Charges.

Description

Calleguas requests conditional approval for Annexation No. 68, concurrently to Calleguas and Metropolitan. The development plan for the vacant 25.58-acre territory within the City of Camarillo is the construction of Home Depot Camarillo. Prior to completion of the annexation, Calleguas will pay in full a fee of \$80,010.08. The projected annual water demand on Metropolitan is approximately 17.9 acre-feet. Calleguas also requests that Metropolitan impose water standby charges within the proposed annexing territory. **Additional attachments are available for review at the Executive Secretary's Office.**

Policy

Territory may be annexed to Metropolitan upon terms and conditions fixed by the Board and in accordance with Chapter 1, Article 1, Sections 350 through 356 of Metropolitan's Act and Division III of its Administrative Code.

Board Options/Fiscal Impacts

Option #1

- Grant conditional approval, as defined in the Metropolitan Water District Administrative Code 3100(b), for Annexation No. 68, concurrently to Calleguas and Metropolitan; conditioned upon receipt in full of annexation charge payment of \$80,010.08 to Metropolitan if subject annexation is completed by December 31, 2000, or if completed after said date, at the then current annexation charge rate. (see [Attachment 1, Detailed Report](#));
- Approve Calleguas' proposed Annexation No. 68 Plan for Implementing Water Use Efficiency Guidelines (see [Attachment 2](#)), and
- Adopt the resolution of intention to impose water standby charges within the proposed annexation territory, substantially in the form of [Attachment 3](#).

Fiscal Impact: Receipt of annexation fees (\$80,010.08) and water sales revenue from newly-annexed territory.

Option #2

Decline Annexation No. 68:

Fiscal Impact: Unrealized annexation fees and water sales revenue from non-annexed territory.


Staff Recommendation

Option #1.



Roy L. Wolfe
Manager, Corporate Resources

9/15/2000
Date



Ronald R. Jester
General Manager

9/27/2000
Date

Attachment 1 -- Detailed Report

Attachment 2 -- Plan for Implementing Water Use Efficiency Guidelines

Attachment 3 -- Resolution of Intention to Impose Water Standby Charge

BLA # 578

Detailed Report – Calleguas Annexation No. 68

The Calleguas Municipal Water District (Calleguas) requested conditional (informal) approval for Annexation No. 68 concurrently to the Metropolitan Water District of Southern California (Metropolitan) and Calleguas. The subject uninhabited vacant annexation territory, consisting of 25.58 acres, of which 3.57 is road right-of-way, is within the City of Camarillo. The parcels are better shown on the attached map Exhibit C and are located approximately one half-mile west of Las Posas Road, south of the Ventura Freeway at Camarillo Center Drive. The parcels are currently zoned for Commercial Planned Development (CPD) to permit use of the property in accordance with the City General Plan and the specific plan for the area. Margaret R. Gisler Trust currently owns the parcels and intends to construct Home Depot Camarillo. Total estimated water demand for this project is 29.85 acre-feet per year (AFY), of which 40 percent (11.9 AFY) will come from City of Camarillo local sources and the remaining portion (17.9 AFY) from Metropolitan through Calleguas.

Pursuant to Section 3107 of Metropolitan's Administrative Code, Calleguas has submitted an acceptable Plan for Implementing Water Use Efficiency Guidelines for this project (**Attachment 2**).

This annexation is subject to the provisions of the California Environmental Quality Act (CEQA). CEQA will be complied with prior to the time that formal approval of this annexation is requested from Metropolitan. At that time, as required by CEQA, the Board will review and consider pertinent environmental documentation.

The annexation charge has been calculated pursuant to Section 3300 of Metropolitan's Administrative Code. Utilizing the current rate of \$3,408 per acre and the sum of \$5,000 for processing costs, the annexation charge is \$80,010.08, if completed by December 31, 2000. The \$5,000 processing charge has already been paid. If the annexation is completed after December 31, 2000, the annexation will be calculated based on the then current rate.

Completion of this annexation will be subject to such terms and conditions as may be fixed by the Board in granting formal consent to such annexation. Calleguas has requested that Metropolitan impose water standby charges within the annexation territory at the rate of \$9.58 per acre or per parcel of less than one acre (the rate at which water standby charges are presently levied in other portions of Calleguas). Under the requirements of Article XII D of the California Constitution (Proposition 218), such charges must be treated as new assessments, subject to approval by the property owners in the area to be annexed through mailed ballot proceedings. **Attachment 3** is the form of resolution of intention to impose water standby charges, which if adopted by the Board, will authorize the Executive Secretary to mail notices to the property owners. The notices to property owners will include ballots which the property owners will be asked to mark and return. Ballots will be tabulated at a public hearing on the assessments scheduled to commence on December 12, 2000, and unless a majority of those ballots received from property owners (weighted according to the proportionate obligation of each property) protest the charges, imposition of the water standby charges in the annexed area may be considered by the Board concurrently with formal approval of annexation.

IMPLEMENTATION PLAN

WATER USE EFFICIENCY GUIDELINES FOR ANNEXATION NO. 68 (HOME DEPOT CAMARILLO) TO THE CALLEGUAS MUNICIPAL WATER DISTRICT AND THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

GENERAL DESCRIPTION OF ANNEXING AREA

Annexation No. 68 (Home Depot Camarillo) consists of approximately 25.58 gross acres (22.01 net acres). The property is within the City of Camarillo and is located approx. 0.5 mile west of Las Posas Road, south of the Ventura Freeway at Camarillo Center Drive.

The annexation includes Assessor Parcel Nos. 2300-020-135 and –195. A map and legal description are attached. The property is owned by Margaret R. Gisler Trust.

The City of Camarillo has approved a Land Division (LD-446) and Commercial Planned Development (CPD) to permit use of the property in accordance with the City General Plan and the specific plan for the area.

The property is vacant. It is zoned CPD. The proposed retail commercial use conforms to this zone.

ANNUAL WATER USAGE

The projected annual demand for water after development of the property is 29.85 acre-feet per year (AFY) or an average factor of 26,650 gallons per day (GPD). Peak demands are estimated at approximately 2.5 times the average daily factor, or 0.204 AF/Day.

The property will receive water from the City of Camarillo. Water distributed by the City is blended with water from Calleguas/Metropolitan. The City's blend is 60% Calleguas Metropolitan and 40% local groundwater.

PEAK WATER USAGE

Lake Bard Reservoir

Calleguas' Lake Bard reservoir, which is owned and operated by Calleguas, has a capacity of 10,500 acre-feet of water. The Calleguas system sets flows from Metropolitan based on past system averages for its service area for a given 24-hour period and meets peak daily water demands from Lake Bard.

Groundwater Conjunctive Use

In conjunction with Metropolitan, Calleguas is currently developing the first 16 of 30 dual purpose, injection/extraction wells that will be constructed within the Las Posas Groundwater Basin.

High and Low Flow Penalties

In 1982, Calleguas revised Ordinance No. 12 (water service) to penalize its purveyors for peaking off Calleguas' system. In 1987, Calleguas included a penalty based on low flow. Both penalties were imposed to direct purveyors to their responsibility to increase water storage within their service areas.

Local Area Water Management

Water demands and peaking from the Metropolitan/Calleguas system can be additionally managed through the interconnection systems of Calleguas' purveyors who extract water from the local ground water basin within Calleguas' service area. In the event of a curtailment or interruption of imported water supplies, Calleguas would be able to request its purveyors to increase groundwater production.

The Calleguas distribution system has the ability to increase water deliveries from several sources to offset peaking within the overall District:

1. District delivery from the United Water Conservation District.
2. Groundwater extraction from the upper Oxnard aquifer.
3. Groundwater extraction from the Fox Canyon aquifer.
4. Drawing from Calleguas' 18mg terminal storage in Springville Reservoir.

WATER CONSERVATION

Additional water demands placed on Metropolitan will be minimized by incorporating the following conservation measures:

Calleguas

Calleguas, in conjunction with Metropolitan, offers a variety of conservation programs. These programs are designed to satisfy the Best Management Practices referred to by the California Urban Water Conservation Council in its Memorandum of Understanding, in which Calleguas and Metropolitan are signatories.

Urban water conservation programs include: school education, low consumption plumbing retrofits (i.e., toilets, showerheads), public information (i.e., literature, speaking engagements, tours of Calleguas facilities), landscape maintenance, commercial, industrial, institutional surveys. Additionally, Calleguas provides literature and showerheads, upon request, for distribution by its purveyors.

Annexing Area

The City of Camarillo has developed several conservation measures that apply to lands annexed to the City. City Ordinance No. 714 provides that water conservation devices installed for this project shall include but not be limited to ultra-low consumption toilets and water conserving fixtures.

The required landscaping plan shall include an automatic irrigation system with tensiometers and automatic rain shut-off devices and consists of drought-resistant plant materials.

At the time the subject property is developed, the developer will be required to:

1. Comply with all city standards for use of water-saving devices in buildings.
2. Meter all project buildings to better control water usage and monitoring.
3. Maximize use of drought-resistant materials in the overall landscape plan and minimize turf areas for the project to the extent possible.
4. Monitor on site landscape water use by installing sensors that can override automatic irrigation timers.

The annexation area will comply with State standards for water-efficient plumbing fixtures. These include toilet fixtures that are water-conserving as defined by ANSI Std: No. A112.19.3, reduced-flow shower heads, lavatory faucets and sink faucets, self-closing valves on fountains and faucets, pipe insulation on hot water lines, etc.

USE OF RECLAIMED WATER

Calleguas

The Board of Directors of Calleguas adopted Resolution No. 773 promoting the use of reclaimed wastewater supplies within the District. Calleguas requires that its purveyors develop the use of reclaimed wastewater for green belts and large turf irrigation. At present, approximately 869 AFY of reclaimed wastewater is sold to golf courses with Calleguas' service area with an additional 1,500 AFY to be made available in the next two years.

Annexing Area

Ventura County and the City of Camarillo promote the use of recycled water and have directed that water recycling be a priority for use. The Camarillo Sanitary District is a subsidiary district of the City. Its wastewater treatment plant provides secondary treatment and recycled water for irrigation and limited agricultural uses. Presently, recycled water is not available in the annexing area. When such supplies exist, a dual distribution system shall be constructed in the annexation area to accommodate such supplies. Uses for which non-potable water is practical will be required to use groundwater, reclaimed water or other non-potable supplies. Reclaimed wastewater and other non-potable supplies shall be used for industrial processes and other suitable uses. No large landscaped areas or water features are to be installed in the annexed area.

WATER DELIVERY CURTAILMENT

Calleguas Municipal Water District

Calleguas already has the ability to sustain more than a seven-day interruption of water delivery service and this annexation will not oversubscribe that ability.

Calleguas has an integrated water delivery system that allows all areas in its service area to receive water from two alternative sources of water. The main source is from Metropolitan via Jensen Treatment Plant and distribution system.

The second source is from Lake Bard reservoir, which is used for system peaking and emergency storage. Lake Bard's storage capacity (10,500 acre feet) is adequate to supply water for total system usage for periods of 15 to 20 days at maximum unregulated demands during summer and in excess of 45 days during winter months.

In addition to Lake Bard, Calleguas has seven reservoirs with a combined storage capacity of 45 million gallons. An additional five million-gallon reservoir is under construction. The North Las Posas Basin Aquifer Storage and Recovery Program will provide over 300,000 acre-feet of storage. Several Calleguas' purveyors extract water from local groundwater basins within Calleguas' service area. In the event of an emergency curtailment of water from Metropolitan for any reason, the District could impose a water-rationing plan and request its purveyors to increase their groundwater production to extent the Districts' reservoir for other areas that do not have groundwater supplies.

CAPITAL CONSTRUCTION CHARGES

In 1980 Calleguas imposed a capital construction charge for all new development within its service area. The charge was established to raise funds necessary to build additional facilities required for expansion of the Calleguas service area. Additionally, Calleguas has assessed a capital construction water rate charge to its purveyors on water usage to augment the capital construction program.

URBAN CONSERVATION BEST MANAGEMENT PRACTICES

To the extent practicable to do so, within the limits of its authority and jurisdiction, Calleguas intends to apply Urban Conservation Best Management Practices as set forth in Attachment A to this Implementation Plan.

WATER USE EFFICIENCY GUIDELINES

To the extent practicable the City of Camarillo and the owners of Annexation No. 68 agree to comply with Metropolitan and Calleguas Water Use Efficiency Guidelines as set forth in Attachment B to this Implementation Plan.

DUAL DISTRIBUTION SYSTEM

To the extent practicable, the City of Camarillo and the owners of the parcels to be annexed shall comply with the following:

Reclaimed wastewater or other non-potable water shall be used on all golf courses, decorative lakes and other landscaped areas exceeding one acre, including multi-family complexes, commercial and industrial developments and similar areas. Reclaimed wastewater and other non-potable supplies shall be used for industrial processes and other suitable uses. If such supplies do not presently exist, a dual distribution system shall be constructed to accommodate such supplies when they become available in the future.

WATER CONSERVATION MEASURES

To the extent practicable, the owners will incorporate Water Conservation measures when development plans are made.

COMPLIANCE

Calleguas accepts the responsibility for assuring compliance with the provisions of Metropolitan's Water Use Efficiency Guidelines as indicated in Metropolitan's Administrative Code Section 3107 and shall report to Metropolitan regarding such compliance.

CALLEGUAS MUNICIPAL WATER DISTRICT

By: _____
Dr. Donald R. Kendall, General Manager

Date: _____

CITY OF CAMARILLO

By: _____
Robert G. Westdyke, Director of Public Services

Date: _____

PAUL KENNERLY, JACK WISE AND CLYDE HALL, SIXTH SUCCESSOR CO-TRUSTEES
UNDER THE WILL OF MARGARET R. GISLER, ALSO KNOWN AS MARGARUERITE REIMANN
GISLER, DECEASED

By: _____
Paul Kennerly

Date _____

By: _____
Jack Wise

Date _____

By: _____
Clyde Hall

Date _____

ATTACHMENT "A"
URBAN CONSERVATION BEST MANAGEMENT PRACTICES

1. Interior and Exterior Residential and Governmental/Institutional Water Audits
2.
 - a. Enforcement of ULFT Requirement in New Construction Beginning January 1992
 - b. Support of State and Federal Legislation Prohibiting Sales of Toilets that use More Than 1.6 Gallons per Flush
 - c. Residential Plumbing Retrofits
3. Distribution System Water Audits, Leak Detection and Repair
4. Metering with Commodity Rates for All New Connections and Retrofit of Existing Connections
5. Large Landscape Water Audits and Incentives
6. Support of and Compliance with "Water Conservation in Landscaping Act" (AB325) for Commercial, Industrial, Institutional, Governmental and Multifamily Developments
7. Public Information
8. School Education
9. Commercial and Industrial Water Conservation
10. New Commercial and Industrial Water Use Review
11. Conservation Pricing
12. Support of and Compliance with "Water Conservation in Landscaping Act" (AB325) for Single Family Homes
13. Enactment and Enforcement of Water Waste Prohibition Ordinances
14. Designation of a Water Conservation Coordinator
15. Financial Incentives
16. Ultra Low Flush Toilet Requirements

ATTACHMENT B

Metropolitan Administrative Code

§ 3107. Water Use Efficiency Guidelines

To the extent practicable, local water purveyors and owners of parcels, as appropriate, within an area for which a request for annexation is considered by the Board shall comply with the following:

- (a) Annual water demand shall be minimized by incorporating water conservation measures into the development plans. Use of local groundwater, surface water, and reclaimed wastewater supplies shall be maximized to reduce demands on the District.
- (b) Peak demands on the district shall be minimized by construction and operation of local storage and groundwater production facilities. In cases where the annexed area is served by an existing water delivery system, this provision may be satisfied by showing that these facilities will be added to the existing system.
- (c) Reclaimed wastewater or other non-potable water shall be used on all golf courses, decorative lakes, and other landscaped areas exceeding one acre, including multi-family complexes, commercial and industrial developments, and similar areas. Reclaimed wastewater and other non-potable supplies shall be used for industrial processes and other suitable uses. If such supplies do not presently exist, a dual distribution system shall be constructed to accommodate such supplies when they become available in the future.
- (d) “Best management practices” conservation measures, as identified by the District from time to time, shall be applied in all new and existing developments within the annexed area. AT least one model home constructed in each development within the annexed area shall demonstrate a water conserving landscape.
- (e) Local storage, groundwater production capacity, system interconnections, and other measures shall be able to sustain a 7-day interruption in service from the District.

The member public agency within which the annexed area is located shall be responsible for assuring compliance with these provisions and shall report to the District regarding such compliance.

ATTACHMENT 'C'

Calleguas Annexation No. 68 (Home Depot – Camarillo)

Water Usage Assumptions and Calculations

Water Use Efficiency Implementation Plan water usage figures and calculations based on the projected uses.

CPD (Commercial Planned Development) 20.5 acres x 1,300 gpd/acre*	<u>Gallons Per Day</u>
Gallons per acre foot – 325,900	26,650

$26,650 \text{ GPD} \times 365 \text{ days} = 9,727,250 \text{ GPY (Gallons Per Year)}$

$\text{GPY} / 325,900 = 29.85 \text{ AFY (Acre Feet/Year)}$

$\text{AFY} / 365 \text{ Days} = 0.082 \text{ AFD (Acre Feet/Day)}$

$\text{Peak demand } 2.5 \times 0.082 \text{ AFD} = 0.204 \text{ (Acre Feet/Day)}$

*As per 1990 Water Master Plan

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION _____

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
GIVING NOTICE OF INTENTION TO
IMPOSE WATER STANDBY CHARGES
CONTINGENT UPON ANNEXATION**

WHEREAS, at the meeting of the Board of Directors (“Board”) of the Metropolitan Water District of Southern California (“Metropolitan”) on December 14, 1993, the Board 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, pursuant to Section 134.5 of the Metropolitan Water District Act (the “Act”), a readiness-to-serve charge may be collected as an availability service charge from the member public agencies within Metropolitan, or may be imposed as a water standby charge against individual parcels within Metropolitan;

WHEREAS, under the Act, 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 including the Calleguas Municipal Water District (“Calleguas”) have requested the option to provide collection of all or a portion of their readiness-to-serve charge obligation through a Metropolitan water standby charge imposed on parcels within those member agencies;

WHEREAS, the owners of the parcels identified in the attached Engineer’s Report, dated August 2000 (the “Engineer’s Report”) have applied for annexation into Calleguas and Metropolitan;

WHEREAS, upon annexation, Metropolitan water will be available to such properties and such parcels will receive the benefit of the projects provided in part with proceeds of Metropolitan water standby charges, as described in the Engineer’s Report; and

WHEREAS, Calleguas has requested that Metropolitan impose water standby charges on such properties at the rate specified in the Engineer’s Report and provided herein, following annexation of such properties into 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 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 on December 12, 2000, or such other date as the Board shall determine, on the General Manager's recommendation to impose a water standby charge for fiscal year 2000-2001 on the properties described in the Engineer's Report attached hereto as Attachment "A" and incorporated herein by reference. A registered professional engineer certified by the State of California prepared the Engineer's Report.

Section 2. That the proposed water standby charge per acre of land, or per parcel of land less than an acre, as shown in the Engineer's Report, shall be \$9.58, which is equal to the amount of Metropolitan's existing standby charge on other properties located within the territory of Calleguas. 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 charge on any parcel shall exceed the reasonable cost of the proportional special benefit conferred on that parcel.

Section 3. That the proposed water standby charge, if imposed following completion of the proposed Annexation No. 68, 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, or at Metropolitan's election may be billed directly to the property owners. Any amounts so collected shall be applied as a credit against Calleguas' obligation to pay its 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.

Section 4. That the Executive Secretary is hereby directed to provide written notice of the proposed water standby charge by mail to the record owner of each property identified in the Engineer's Report not less than 45 days prior to the date of the public hearing identified in Section 5. Each notice shall be given in accordance with the requirements of Article XIII D, Section 4, of the California Constitution, and shall be in a form approved by the General Counsel. Each notice shall include an assessment ballot whereby the owner may indicate his or her name, reasonable identification of his or her parcel, and his or her support for or opposition to the proposed water standby charge. Each notice shall also include a description of the procedures for the completion, return and tabulation of ballots, which shall be in a form approved by the General Counsel.

Section 5. That the Board will meet in regular session at its meeting on December 12, 2000, to hold a public protest hearing at which interested parties may present their views regarding the proposed water standby charges and the Engineer's Report. All written protests and comments presented at the hearings or received by the Executive Secretary on or before the conclusion of the public hearing which contain a description sufficient to identify the land owned by the landowners will be given due consideration by the Board before its final action on the proposed water standby charge, and all assessment ballots will be tabulated. If, upon the conclusion of the hearing, ballots submitted in opposition to the water standby charge (weighted

according to the proportionate financial obligation of the affected property) exceed the ballots submitted in favor of the water standby charge, the water standby charge shall not be imposed.

Section 6. That imposition of the proposed water standby charges, if authorized by the Board following the public protest hearing, will be contingent upon completion of the concurrent annexation of the Annexation No. 68 to Metropolitan and Calleguas. If water standby charges are approved and such annexation is not completed in time to permit imposition of standby charges for fiscal year 2000-2001, Metropolitan may levy standby charges at the rate stated in this Resolution beginning in a subsequent fiscal year.

Section 7. That 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 the territory described in the Engineer's Report and Calleguas shall pay its readiness-to-serve charge obligation to Metropolitan in full, as if imposition of such water standby charges had never been sought.

Section 8. That this Board finds that the proposed water standby charges provided in this Resolution are exempt from the provisions of the California Environmental Quality Act (CEQA) under State CEQA Guidelines 15378(b)(4) 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.

Section 9. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by mailing or by publication.

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 October 17, 2000.

Executive Secretary
The Metropolitan Water District
of Southern California

**Attachment 1 to Resolution of Intention
to Impose Standby Charges**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
ENGINEER'S REPORT**

**PROPOSED PROGRAM TO LEVY STANDBY CHARGES,
CALLEGUAS MUNICIPAL WATER DISTRICT
ANNEXATION NO. 68**

August 2000

BACKGROUND

The Metropolitan Water District of Southern California (Metropolitan) 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, including a request by Calleguas Municipal Water District (Calleguas) to collect a portion of its RTS obligation through the levy of Metropolitan's water standby charge, 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, including Calleguas, 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.

The properties identified in this report have applied for annexation into Metropolitan. Consent by the property owners to Metropolitan's levying of an annual water standby charge in the amount of

\$9.58 per acre, or \$9.58 per parcel of less than one acre, is a condition to annexation of these properties into Calleguas and Metropolitan.

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 Diamond Valley 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 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 the enhancement of 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 enhancement of 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 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 91,000 acre-feet of water for FY 2000-2001 with financial incentive payments of about \$17.4 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 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 approximately \$303 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.

Water standby charges are levied by Metropolitan only within the areas served by member agencies which requested that water standby charges be utilized as a means of collecting that agency's RTS obligation. Calleguas has requested that a water standby charge be utilized to collect part of its RTS obligation.

The following table lists the parcels included in Annexation No. 68 and the proposed water standby charge for fiscal year 2000-2001.

Water standby charges for Annexation No. 68

<u>Parcel Number</u>	<u>Acres</u>	<u>Standby Charge (FY 99-2000)</u>
230-0-020-135	.23	\$ 9.58
230-0-020-195	21.54	\$ 206.35
Total		\$ 215.93

The estimated potential benefits of Metropolitan's water supply program, that could be paid by a standby charge, are approximately \$303 million for FY 2000-2001, as shown in Table A. 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, including Annexation No. 68, 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, thus ensuring that no parcel within Annexation No. 68 is assessed water standby charges in excess of the reasonable cost of the proportional special benefit conferred on that parcel.

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 programs, 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. Calleguas has requested that a water standby charge be imposed on lands within Annexation No. 68 as a credit against Calleguas's readiness-to-serve charge for fiscal year 2000-2001, in the amount of \$9.58 per acre or parcel of less than one acre levied by Metropolitan within Calleguas. The special benefits described in this Engineer's Report far exceed the recommended charge. The water standby charges for parcels within Annexation No. 68 total \$ 215.93.

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