

- **Board of Directors**
Executive Committee

February 13, 2001 Board Meeting

8-6

Subject

Grant conditional approval for Pacific Century Homes Arboretum Annexation to Eastern Municipal Water District and Metropolitan, and adopt resolution of intention to impose water standby charges

Description

The Eastern Municipal Water District (Eastern) requests conditional approval for annexation of Pacific Century Homes Arboretum territory, concurrently to Eastern and The Metropolitan Water District of Southern California (Metropolitan). The development plan for the vacant 39.27-acre city of Murrieta territory consists of 378 multi-family attached residential units. Prior to completion of the annexation, Eastern will pay in full a fee of \$140,874.20, if completed prior to December 31, 2001. The projected annual water demand on Metropolitan is approximately 102 acre-feet per year. Eastern also requests that Metropolitan impose water standby charges within the proposed annexing territory.

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 Pacific Century Homes Arboretum Annexation, concurrently to Eastern and Metropolitan; conditioned upon receipt in full of annexation charge payment of \$140,874.20 to Metropolitan if subject annexation is completed by December 31, 2001, or if completed after said date, at the then current annexation charge rate (see [Attachment 1](#), Detailed Report);
- Approve Eastern's proposed Pacific Century Homes Arboretum Annexation 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 (\$140,874.20) and water sales revenue from newly-annexed territory.

Option #2

Decline Pacific Century Homes Arboretum Annexation.

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

Staff Recommendation

Option #1



Roy L. Wolfe
Manager, Corporate Resources

1/26/2001

Date



Ronald R. Jester
General Manager

1/29/2001

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 #702

Detailed Report – Pacific Century Homes Arboretum Annexation

The Eastern Municipal Water District (Eastern) requested conditional (informal) approval for Pacific Century Homes Arboretum Annexation concurrently to The Metropolitan Water District of Southern California (Metropolitan) and Eastern. The subject uninhabited annexation territory, consisting of a 39.27-acre parcel of land, is within the city of Murrieta. The parcel is better shown on the attached map Exhibit B and is located east of the I-15 Freeway interchange and southeast of the intersection of Jackson Avenue and Elm Street. The parcel is currently zoned Y04 (Vacant Other). The proposed annexation is in accordance with the city of Murrieta's General Plan. The parcel is currently owned by Joseph R. and Lois F. Blake, Gerald W. Garrett, and Richard John Williams. The owners plan to develop the land into the Arboretum Project, consisting of 378 multi-family, attached residential units. The total estimated water demand for this project is 254 acre-feet per year (AFY), of which 60 percent (152 AFY) will come from Rancho California Water District local sources and the remaining portion (102 AFY) from Metropolitan through Eastern.

Pursuant to Section 3107 of Metropolitan's Administrative Code, Eastern 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.

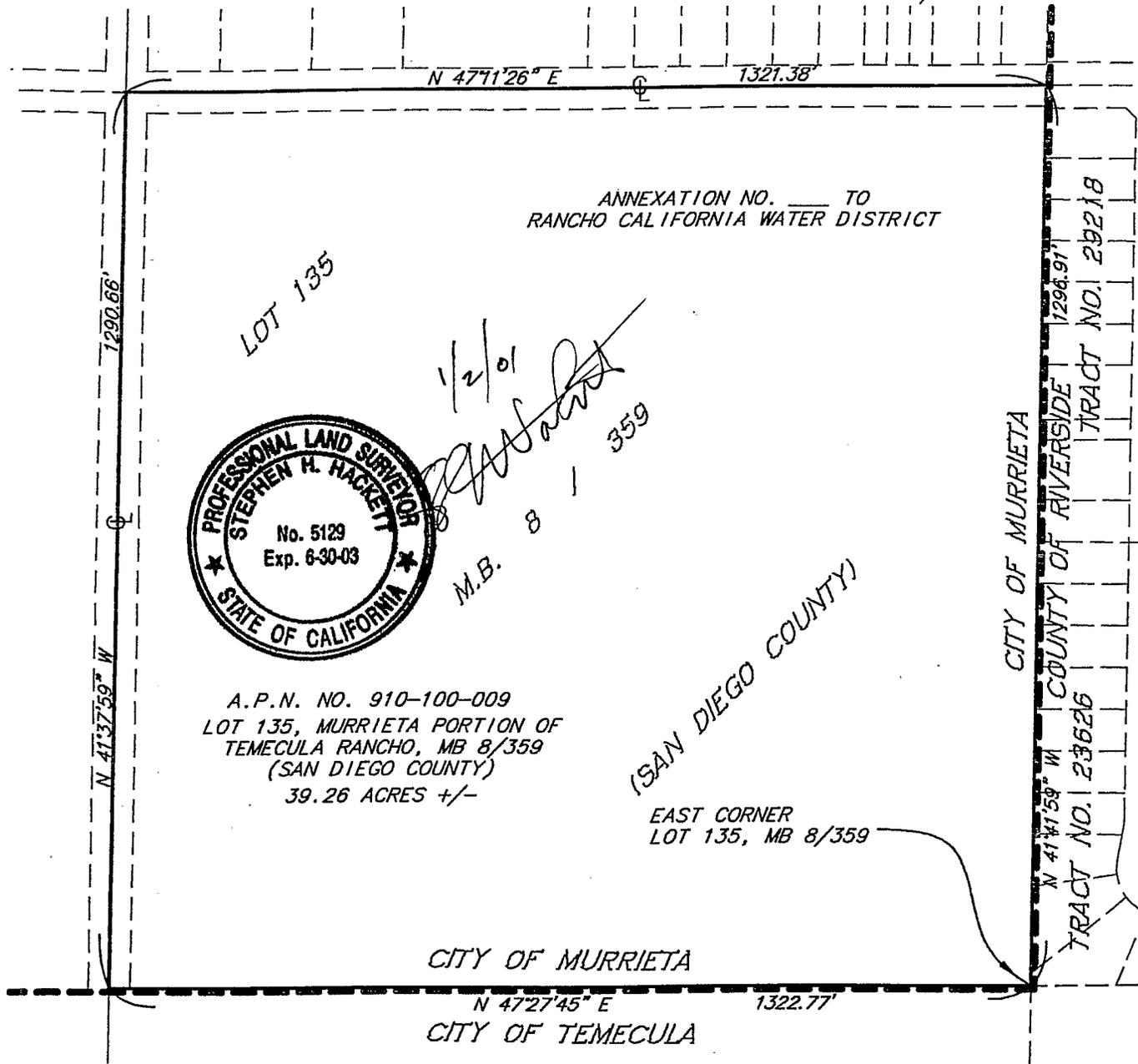
The annexation charge has been calculated pursuant to Section 3300 of Metropolitan's Administrative Code. Utilizing the current rate of \$3,460 per acre and the sum of \$5,000 for processing costs, the annexation charge is \$140,874.20, if completed by December 31, 2001. The \$5,000 processing charge has already been paid. If the annexation is completed after December 31, 2001, 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. Eastern has requested that Metropolitan impose water standby charges within the annexation territory at the rate of \$6.94 per acre or per parcel of less than one acre (the rate at which water standby charges are presently levied in other portions of Eastern). Under the requirements of Article XIII 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 April 10, 2001, 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.

_____ PROPOSED WATER DISTRICT BOUNDARY
 - - - - - EXISTING WATER DISTRICT BOUNDARY

REVIEWED BY THE
 METROPOLITAN WATER DISTRICT
 OF SOUTHERN CALIFORNIA
 R/W & TITLE ENGINEERING
 DATE: 1-4-2001

SCALE: N.T.S.



This Plat is Solely an Aid in Locating the Parcel(s) described in the Attached Document. Please refer to legal description for exact location.



PLANNING DESIGN CONSULTATION

SHEET

EXHIBIT

SKETCH TO ACCOMPANY
 LEGAL DESCRIPTION
 LAFCO NO.

Land Planning
 Civil Engineering
 Land Surveying

1

B

SB&O, Inc.
 9007 Arrow Route, Suite 120
 Rancho Cucamonga, California 91730
 (909) 948 - 3460

OF 1 SHEETS

SCALE: N.T.S.

DRAWN BY: WE

DATE: 10/20/00

CHECKED BY: SHH

JN: 55920.00

EXHIBIT "A"

LEGAL DESCRIPTION

ANNEXATION NO. ____ TO THE RANCHO CALIFORNIA WATER DISTRICT

LAFCO NO. _____

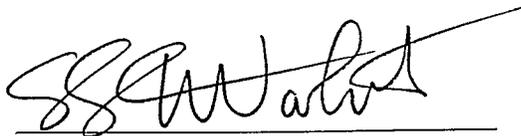
IN THE CITY OF MURRIETA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA,
DESCRIBED AS FOLLOWS:

LOT 135 OF MURRIETA PORTION OF TEMECULA RANCHO, AS SHOWN BY MAP OF
TEMECULA LAND AND WATER COMPANY ON FILE IN BOOK 8, PAGE 359 OF MAPS,
RECORDS OF SAN DIEGO COUNTY, CALIFORNIA

CONTAINS: 39.27 ACRES, MORE OR LESS.

AND AS SHOWN ON EXHIBIT 'B' ATTACHED HERETO AND MADE A PART HEREOF.

PREPARED BY ME OR UNDER MY SUPERVISION



STEPHEN H. HACKETT, PLS 5129

1/2/2001

DATE

REVIEWED BY THE
METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA
R/W & TITLE ENGINEERING
DATE: 1-4-2001

**PLAN FOR IMPLEMENTING WATER USE EFFICIENCY GUIDELINES
FOR THE
EASTERN MUNICIPAL WATER DISTRICT
AND
RANCHO CALIFORNIA WATER DISTRICT
PACIFIC CENTURY HOMES ARBORETUM ANNEXATION
TO THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

General Description of Annexing Area

The area proposed for annexation is located in the City of Murrieta and consists of forty (40) gross acres comprised of multi-family attached residential units. It is located east of the I-15 freeway interchange and southeast of the intersection of Jackson Avenue and Elm Street.

Description

Pacific Century Homes is planning to develop its Arboretum Project consisting of 378 multi-family attached residential units. Development plans have been submitted to the City of Murrieta for the project. It is anticipated that development will occur within the next one to five years.

Annual Water Use

The projected total average day demand in the annexation will be about 0.23 million gallons per day (MGD) or 254 acre-feet per year (AFY). The annexation area will receive water from Metropolitan Water District of Southern California (MWD) via a Rancho California Water District/Eastern Municipal Water District/MWD (REM) connection.

The demands on MWD will be minimized by incorporating various conservation measures discussed below in the development plan.

Peak Water Use

The projected maximum day demand in the annexation area is estimated to be about 567,000 gallons, based on a peaking factor of 2.5 times the average daily demand. The maximum demand on MWD will be minimized with the operation of local Rancho California Water District (RCWD) storage facilities.



Recycled Wastewater

RCWD has a program to promote the use of recycled water. At the present time, RCWD produces approximately 1,600 AFY of recycled water. This is sold for agricultural, landscaping, and golf course irrigation. Additional uses are planned as the recycled water distribution system is expanded. Landscaped areas exceeding one acre will be irrigated with recycled water or other non-potable supplies when available. If applicable, and to the extent practicable, recycled wastewater or other non-potable supplies will be used for industrial processes. If such supplies do not presently exist, a dual distribution system shall be constructed to accommodate such supplies when they become available and construction is economically feasible.

RCWD locally produces approximately 60% of its potable water needs from two large aquifers underlying its boundaries. In an effort to protect these basins, RCWD only allows the use of reclaimed water in areas where the ground water basin will not be degraded by the use of reclaimed water. RCWD has adopted a *Water Resource Master Plan* and a *Water Reclamation Master Plan* to facilitate staff and the public to identify the areas of use for reclaimed water and to promote/require its use.

The proposed development consists of high-density residential property. The area in which this property is located is within a basin that will allow the use of reclaimed water. The site is located approximately two miles from existing RCWD reclaimed water facilities.

Best Management Practices

To the extent practical to do so and within the units of its authority and jurisdiction, RCWD intends to comply with the Urban Conservation Best Management Practices attached hereto as Exhibit "A."

RCWD's water conservation program was established by Ordinance No. 91-2-3 in order to meet the RCWD water demands in case of a long-term drought and to maximize RCWD resources. As stated in the above section, RCWD has adopted a *Water Resource Master Plan* and a *Water Reclamation Master Plan*. The District has also adopted a *Water Facility Master Plan*. This master plan will develop RCWD's strategy to meet its future needs. At least one model home constructed in each new development within the annexed area will demonstrate a water-conserving landscape.

By utilizing the above-referenced master plans along with the enforcement of local water conservation codes, RCWD's water conservation program will provide Urban Conservation Best Management Practices throughout its service area.

**Water Use Efficiency Guideline Plans
December 2000
Page three**

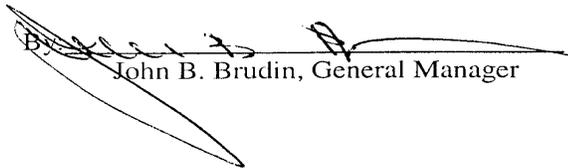
Interruption of Service

Through the use of local storage and groundwater well production, RCWD is able to sustain a seven-day interruption in service from MWD.

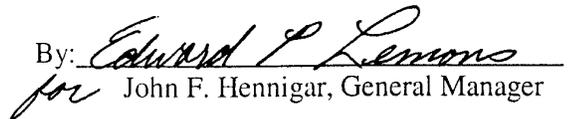
Compliance

To the extent practicable, the following Agencies and property owners will assure compliance with the provisions of MWD's Water Use Efficiency Guidelines as indicated in MWD's Administrative Code Section 3107 and shall report to MWD regarding such compliance.

EASTERN MUNICIPAL WATER DISTRICT

By:  Date: 12 8, 2000
John B. Brudin, General Manager

RANCHO CALIFORNIA WATER DISTRICT

By:  Date: DEC 7, 2000
for John F. Hennigar, General Manager

PACIFIC CENTURY HOMES

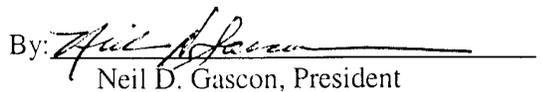
By:  Date: 12/6/, 2000
Neil D. Gascon, President



EXHIBIT "A"

URBAN CONSERVATION BEST MANAGEMENT PRACTICES

1. Water Survey Programs for Single-Family Residential and Multi-Family Residential Customers
2. Residential Plumbing Retrofit
3. System Water Audits, Leak Detection, and Repair
4. Metering and Commodity Rates for all New Connections and Retrofit of Existing Connections
5. Large Landscape Conservation Programs and Incentives
6. High-Efficiency Washing Machine Rebate Programs
7. Public Information Programs
8. School Education Programs
9. Conservation Programs for Commercial, Industrial, and Institutional Accounts
10. Wholesale Agency Assistance Programs
11. Conservation Pricing
12. Conservation Coordinator
13. Water Waste Prohibition
14. Residential Ultra Low-Flow Toilet Replacement Programs



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 Eastern Municipal Water District (“Eastern”) 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 December 2000 (the “Engineer’s Report”) have applied for annexation into Eastern 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, Eastern 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 April 10, 2001, 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 \$6.94, which is equal to the amount of Metropolitan's existing standby charge on other properties located within the territory of Eastern. 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 Pacific Century Homes Arboretum Annexation, 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 Eastern's 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 April 10, 2001, or such other date as the Board shall determine, 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 Pacific Century Homes Arboretum Annexation to Metropolitan and Eastern. 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 Eastern 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 February 13, 2001.

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,
EASTERN MUNICIPAL WATER DISTRICT
PACIFIC CENTURY HOMES ANNEXATION**

December 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 Eastern Municipal Water District (Eastern) 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 Eastern, 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 \$6.94 per acre, or \$6.94 per parcel of less than one acre, is a condition to annexation of these properties into Eastern 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 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 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. Eastern has requested that a water standby charge be utilized to collect part of its RTS obligation.

The following table describes the parcel included in Pacific Century Homes Annexation and the proposed water standby charge for fiscal year 2000-2001.

Water standby charges for Pacific Century Homes Annexation

<u>Parcel Number</u>	<u>Acres</u>	<u>Standby Charge (FY 99-2000)</u>
910-100-009	39.38	\$ 273.30
Total		\$ 273.30

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 Pacific Century Homes Annexation, 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 Pacific Century Homes Annexation 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. Eastern has requested that a water standby charge be imposed on lands within Pacific Century Homes Annexation as a credit against Eastern's readiness-to-serve charge for fiscal year 2000-2001, in the amount of \$6.94 per acre or parcel of less than one acre, levied by Metropolitan within Eastern. The special benefits described in this Engineer's Report far exceed the recommended charge. The water standby charges for parcels within Pacific Century Homes Annexation total \$ 273.30.

Recommended By:

Prepared Under the Supervision Of

Brian G. Thomas
Chief Financial Officer

B. Anatole Falagan
RCE 45669
Assistant Group Manager

TABLE A

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

	Estimated Potential Program Benefits FY 2000-01	\$ Per Acre or \$ Per Parcel Less Than 1 Acre
Water Transmission Storage and Supply Program		
Net Capital Payments to State Water Project (Less Portion Paid by Property Tax Revenue)	\$102,401,046	\$24.59
Debt Service for Water Storage Including the Diamond Valley Lake	\$78,885,972	\$18.95
Debt Service for System Improvements (less Portion Paid by Treatment Surcharge)	\$89,695,565	\$21.54
Sub-Total Capital and Debt Service Payments	\$270,982,583	\$65.08
Less Estimated Standby Charge Revenues (Including Pacific Century Homes Annexation)	(\$41,911,517)	(\$10.07)
Remaining Capital and Debt Service Costs Recovered by RTS, Water Sales, Interest Income and Other Revenues	\$229,071,066	\$55.02
Water Management Programs: Water Recycling, Groundwater Recovery and Water Conservation Projects	\$32,365,000	\$7.77
Sub-Total Capital, Debt Service and Water Management Programs Costs not Paid by Standby Charge Revenues	\$261,436,066	\$62.79
Total Costs: Capital, Debt Service and Water Management Programs	\$303,347,583	\$72.86

TABLE B

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

Project Name	FY 2000-01 Payment
Water Recycling Projects	\$13,158,000
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	
Escondido 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, Phase 1	
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	
Santa Monica Dry-Weather Runoff Reclamation Facility	
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
Groundwater Recovery Projects	\$4,207,000
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	
Conservation Projects	\$15,000,000
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	
Total	\$32,365,000

TABLE C**DISTRIBUTION SYSTEM IMPROVEMENTS PROJECT BENEFITS**

Distribution System Improvement
All Plants - Replace Power Supply System
All Plants - Replace Water Flowmeter Instruments
All Pump Plants 230KV External Heat Exchangers
Allen-McColloch Pipeline Purchase
Auld Valley Pipeline #1
Box Springs Feeder - Schedule 316
Central Pool Augmentation Project
Centralized Control System - Eagle Rock Area
Centralized Control System - General Design
Centralized Control System - Hdqtrs Monitoring
Chemical Unloading Facility
Chlorination Structure - Foothill Feeder
Chlorination System at Reservoirs
Colorado River Aqueduct - Gene Plant Heat Exchanger
Colorado River Aqueduct - Hinds Pump Plant, Modify Pump Impeller
Colorado River Aqueduct - Install Water Level Alarm System
Colorado River Aqueduct - Modification of Blowoff Structure
Colorado River Aqueduct - Replace Circuit Breakers
Colorado River Aqueduct - Replace Gene Pump Plant Station Service
Colorado River Aqueduct - Replace Transformer Bank No. 1
Colorado River Aqueduct - Water Storage
Colorado River Aqueduct - Intake Pump Plants, Replace Sta Service
CRA Lakeview Siphon - Repair Deteriorated Joints in 1st Barrel
Desalination Demonstration Project
Distribution System - Replace Flowmeter Instruments
District Reservoirs - Aqueous Ammonia Feed
Dist. System Improvements - Chemical Unloading
Eagle Mountain, Hinds - Service Facilities
Eagle Mountain, Hinds - Modify Pumps
Eagle Mountain, Hinds - Pump Modifications
Eagle Mountain, Hinds Rehabilitate 2 Main Transformer
Eagle Mountain, Hinds - Replace Vibration Monitors
East Valley Feeder - Relocate at Hollywood
East Valley Feeder - Structural Modifications
Enlarge Foothill Feeder Control Structure
Enlargement of Chemical Unloading Facility
Etiwanda Pipeline
Foothill Area Study
Foothill Feeder - Devil Canyon Power Plant
Foothill Feeder - Rialto Pipeline
Foothill Feeder - San Dimas Facilities
Foothill Feeder - San Fernando Tunnel
Foothill Feeder - San Fernando Tunnel
Garvey Reservoir - Junction Structure - 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**

Distribution System Improvement
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

Distribution System Improvement	
Orange County Feeder - Relocation at Kimber	
Orange County Feeder - Service Connection PM-1	
Orange County Reservoir - Floating Cover	
Orange County Reservoir - Replace Chlorination Equipment	
PABX Communication System	
Palos Verdes Feeder - Modifications of L.A. City	
Palos Verdes Feeder - Relocation (MWD's Portion)	
Palos Verdes Feeder - Washington	
Palos Verdes Reservoir - Bypass Pipelines	
Pump Plants - Rehabilitate Main Pumps	
Pumping Plants - Replace Recorders	
Replace 75 Underground Storage Tanks	
Replace Flowmeters on Service Connections	
Rialto Pipeline - Delivery Facilities	
San Diego Aqueduct Rep San Jacinto	
San Diego Canal Enlarge Phase 2	
San Diego Pipe #5 - Schedule SD-17	
San Diego Pipeline Nos. 2, 3 - Modifications	
San Diego Pipeline No. 5 Schedule SD-16	
San Diego Pipeline No. 6	
Santa Ana River Crossing - Seismic	
Santa Monica Feeder - Modify Control Structure	
Santa Monica Feeder - Repair/Retrofit 28 Manhole Risers	
Sepulveda Feeder System, West Valley Feeder No. 2	
Sepulveda Feeder System - Calabasas Feeder	
Sepulveda Feeder - Balboa Inlet	
Sepulveda Feeder - Sepulveda Canyon Control	
Skinner Filtration Plant - Area Maintenance Center	
Soto Street Maintenance Center - Propane Storage	
South (Orange) County Pipeline - Joint Participation & Purchase	
Supervisory Control of Copper Basin Facility	
Upgrading Communication System	
West Orange County Feeder - Relocation	
West Valley Area Study	
West Valley Feeder No. 1 - Modifications	
West Valley Feeder No. 2	
White Water Siphon Delivery Structure	
Yorba Linda Feeder	
Other System Reliability/Rehabilitation Projects	
Estimated Fiscal Year 2000-01 Benefit	\$89,695,565

TABLE D
FISCAL YEAR 2000-01
ESTIMATED READINESS-TO-SERVE CHARGE REVENUE

Member Agency	Amount
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
Total	\$80,000,000

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			
Los Angeles County Total		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
Orange County Total		845,026	\$8,452,524
Eastern MWD	\$ 6.94	376,205	\$2,610,863
Pacific Century Homes Annexation	\$ 6.94	39	\$273
Western MWD of Riverside Co. ^c	\$ 9.23	355,375	\$3,280,377
Riverside County Total		731,619	\$5,891,513
Inland Empire UA	\$ 7.59	222,106	\$1,685,784
San Bernardino County Total		222,106	\$1,685,784
Calleguas MWD	\$ 9.58	246,916	\$2,365,453
Ventura County Total		246,916	\$2,365,453
San Diego CWA	\$ 11.51	1,062,175	\$12,225,636
San Diego County Total		1,062,175	\$12,225,636
TOTAL	\$ 10.07	4,163,650	\$41,911,517

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 excepting Pacific Century Homes Annexation
c. Includes \$270 in revenue from parcels in Orange County

ATTACHMENT A
Resolution Pacific Century Homes Arboretum Annexation

Eastern MWD Pacific Century Homes Arboretum Annexation

OWNER (S)

Joseph R. and Lois F. Blake
Gerald W. Garrett
Richard John Williams

CURRENT LAND USE

Vacant

PROPOSED USE

Development of 378 multi-family, attached residential units

PROPOSED WATER USE

Total Demand

254 AFY

60% Local Sources Surface/Ground Water
40% Eastern / MWD Water
Demand on Calleguas/MWD= 102 AFY

ENVIRONMENTAL INFO

Negative Declaration issued by Eastern MWD

ANNEXATION CHARGE

$(39.27 \text{ acres} \times \$3,460) + \$5000 = \$140,874.20$