

● **Board of Directors**
Communications, Outreach and Legislation Committee

May 15, 2001 Board Meeting

10-6

Subject

Report on SB 350 (Alpert): Metropolitan Water Districts


Description

As introduced, SB 350 (Alpert – Coronado) proposed to limit the discretion Metropolitan’s Board has to manage its reserves. The bill was amended in the Senate Local Government Committee to: 1) require that Metropolitan and its member agencies adopt guidelines for the use of surplus funds by June 30, 2002; and 2) authorize the California Research Bureau (CRB), on or before June 30, 2002, to evaluate the recent reorganization of the Metropolitan Board, the regional and proportional equity in Metropolitan’s handling of finances under the current voting structure and any other issues deemed relevant by the California Research Bureau. A copy of the bill as amended is attached. **(Attachment 1)** The current position of the District based on the previous bill language is oppose.



Adán Ortega, Jr.
Sr. Executive Assistant to the General
Manager for External Affairs

5/7/2001
Date



Ronald R. Jester
General Manager

5/7/2001
Date

Attachment 1 - Amended Senate Bill

BLA #1100

AMENDED IN SENATE APRIL 26, 2001

SENATE BILL

No. 350

Introduced by Senator Alpert
(Principal coauthor: Senator Morrow)

February 20, 2001

An act to add Section 125.5 to the Metropolitan Water District Act (Chapter 209 of the Statutes of 1969), relating to water.

LEGISLATIVE COUNSEL'S DIGEST

SB 350, as amended, Alpert. Metropolitan water districts.

(1) The Metropolitan Water District Act grants to a metropolitan water district formed under the act various powers, including the authority to invest surplus funds in accordance with prescribed requirements.

~~This bill would authorize a district to establish reserve funds for operating purposes and payment of principle and interest on bonds or other debt instruments issued by the district and would require the maximum amount of reserve funds to be established by a resolution that is approved by at least a 2/3 vote of the board of directors. The bill would require a district, not later than October 31 of each year, to cause surplus funds remaining from net operating revenues, as specified, to be distributed to each member public agency in proportion to the amount contributed by each such agency to the total revenues of the district during the previous fiscal year, but would authorize the district to retain the surplus funds if the board determines that funds are necessary to the fiscal integrity of the district. The bill would require a district to prepare a prescribed report regarding reserve funds and to submit the report to member public agencies, the State Auditor, and the Legislature, as specified require, on or before June 30, 2002, the board of directors of~~

the district to adopt a resolution establishing guidelines governing the use of surplus funds remaining from net operating revenues after satisfaction of reserve fund requirements, and would require each member public agency to establish similar guidelines with respect to their own surplus funds remaining from net operating revenues from their water utility operation after satisfaction of reserve fund requirements. By imposing The requirements of this bill on a the district and member local agencies with regard to the maintenance and refund of development of guidelines governing reserve funds, the bill would impose a state-mandated local program.

The bill would require, on or before June 30, 2002, the California Research Bureau to prepare and submit to the Legislature a report reviewing the Metropolitan Water District of Southern California's current governance structure.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 125.5 is added to the Metropolitan
 2 Water District Act (Chapter 209 of the Statutes of 1969), to read:
 3 ~~125.5.—(a) A district may reasonably establish reserve funds~~
 4 125.5. (a) *On or before June 30, 2002, the board of directors*
 5 *shall adopt a resolution establishing guidelines governing the use*
 6 *of surplus funds remaining from net operating revenues after*
 7 *satisfaction of reserve fund requirements, as those requirements*
 8 *are established by the board. In developing these guidelines, the*
 9 *board of directors shall ensure regional equity among its member*
 10 *public agencies while maintaining the integrity of the full system.*



1 (b) On or before June 30, 2002, the governing body of each
2 member public agency shall adopt a resolution establishing
3 guidelines governing the use of its own surplus funds remaining
4 from net operating revenues from its water utility operations after
5 satisfaction of reserve fund requirements, as those requirements
6 are established by the respective governing bodies.

7 SEC. 2. (a) The Legislature finds and declares that there is a
8 need for a review of the Metropolitan Water District of Southern
9 California's governance structure. This review is necessary to
10 evaluate the effectiveness of the district's current governance
11 structure in ensuring regional equity among member public
12 agencies.

13 (b) To assist the Legislature with this need, on or before June
14 30, 2002, the California Research Bureau shall prepare and
15 submit to the Legislature a report reviewing the Metropolitan
16 Water District of Southern California's current governance
17 structure. In it's report, the California Research Bureau shall
18 describe, analyze, and evaluate all of the following:

19 (1) The effect of the reduction of the size of the board of
20 directors pursuant to Chapter 781 of the Statutes of 1998.

21 (2) Regional and proportional equity in the district's handling
22 of finances under the current voting structure.

23 (3) Any other issues relating to governance of the district that
24 the California Research Bureau deems relevant.

25 ~~for operating purposes and payment of principle and interest on~~
26 ~~bonds or other debt instruments issued by the district. The~~
27 ~~maximum amount of all reserve funds shall be established by a~~
28 ~~resolution that is approved by not less than a two-thirds vote of the~~
29 ~~board of directors.~~

30 ~~(b) Not later than October 31 of each year, a district shall cause~~
31 ~~surplus funds remaining from net operating revenues after~~
32 ~~satisfaction of reserve fund requirements, as established by~~
33 ~~resolution of the board of directors, to be distributed to each of its~~
34 ~~member public agencies in proportion to the amount contributed~~
35 ~~by each member public agency to the total revenues of the district~~
36 ~~during the previous fiscal year. A district may retain the surplus~~
37 ~~funds if the board of directors of the district, following a public~~
38 ~~hearing for which 30 days' notice is provided to each member~~
39 ~~public agency, determines that the retention of the surplus moneys~~
40 ~~is necessary to the fiscal integrity of the district.~~



1 ~~(c) Each year, a district at the time of the approval of its~~
 2 ~~operating and capital budgets for a fiscal year, shall prepare a~~
 3 ~~report regarding the size and purpose of each reserve fund;~~
 4 ~~payments made from each reserve fund during the previous fiscal~~
 5 ~~year, the plan for expenditure from each reserve fund for the~~
 6 ~~ensuing fiscal year, the amount of any surplus moneys remaining~~
 7 ~~from operating revenues after the payment of operating~~
 8 ~~expenditures, repairs and maintenance, charges for property,~~
 9 ~~services or other rights acquired by the district, and interest and~~
 10 ~~principal on bonded debt, and the amount of refund that will be~~
 11 ~~provided to each member public agency from the surplus. Not later~~
 12 ~~than August 31 of each year, the district shall submit copies of the~~
 13 ~~report to member public agencies, the State Auditor and the offices~~
 14 ~~of the Speaker of the Assembly and the President pro Tempore of~~
 15 ~~the Senate.~~

16 ~~SEC. 2.~~

17 *SEC. 3.* Notwithstanding Section 17610 of the Government
 18 Code, if the Commission on State Mandates determines that this
 19 act contains costs mandated by the state, reimbursement to local
 20 agencies and school districts for those costs shall be made pursuant
 21 to Part 7 (commencing with Section 17500) of Division 4 of Title
 22 2 of the Government Code. If the statewide cost of the claim for
 23 reimbursement does not exceed one million dollars (\$1,000,000),
 24 reimbursement shall be made from the State Mandates Claims
 25 Fund.

