

- **Board of Directors**

October 14, 2003 Board Meeting

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**8-11**

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**Subject**

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Grant conditional approval for the 75th Fringe Area Annexation to Eastern Municipal Water District and Metropolitan; and adopt resolution of intention to impose water standby charge

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**Description**

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The Eastern Municipal Water District (Eastern) has requested conditional approval for the 75th Fringe Area Annexation, concurrently to Eastern and The Metropolitan Water District of Southern California (Metropolitan). The total area for annexation is 7.12 acres of which 0.2 acre is for road right-of-way, shown on the attached legal description and map. The property is located in Riverside County, within the city of Murrieta between Jefferson Avenue and Adams Avenue, southeast of Guava Street, and is currently vacant. The proposed use of this property is industrial. Currently, there are no plans for this type of use on this site. Prior to completion of the annexation, Eastern will pay a fee of \$28,943.20 if the annexation is completed prior to December 31, 2003, or if completed later, at the then current annexation charge rate. The projected annual water demand on Metropolitan is approximately 19 acre-feet per year through Eastern. Eastern also requests that Metropolitan impose water standby charges within the proposed annexing territories. See detailed report in [Attachment 1](#).

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**Policy**

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Territory may be annexed to Metropolitan upon terms and conditions fixed by the Board and in accordance with Chapter 1, Article 1, § 350 through § 356 of Metropolitan's Act and Division III, § 3100(b) of its Administrative Code.

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**California Environmental Quality Act (CEQA)**

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CEQA determination for Option #1:

The proposed actions are not defined as a project under CEQA because they involve the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed actions in question may have a significant effect on the environment, the proposed actions are not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines). Prior to formal approval of the annexation and water standby charges from the Board, CEQA documentation will be prepared by the Lead Agency and processed in accordance with CEQA and the State CEQA Guidelines. As the Responsible Agency, Metropolitan's Board will then review and consider the CEQA documentation before taking action.

The CEQA determination is: Determine that the proposed actions are not subject to the provisions of CEQA pursuant to Sections 15378(b)(4) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

**Board Options/Fiscal Impacts**

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**Option #1**

Adopt the CEQA determination and

- a. Grant conditional approval for the 75th Fringe Area Annexation, concurrently to Eastern and Metropolitan, conditioned upon receipt in full of annexation fee of \$28,943.20 to Metropolitan if completed by December 31, 2003, or if completed later, at the then current annexation charge rate, and in compliance with those terms and conditions fixed upon final request for approval pursuant to Administrative Code § 3100 et seq. (**Attachment 1**);
- b. Approve Eastern’s proposed Plan for Implementing Water Use Efficiency Guidelines (**Attachment 2**); and
- c. Adopt resolution of intention to impose water standby charge within the proposed annexation territory, substantially in the form of **Attachment 3**.

**Fiscal Impact:** Receipt of annexation fee of \$28,943.20 for the 75th Fringe Area and water sales revenue from newly annexed territory

**Option #2**

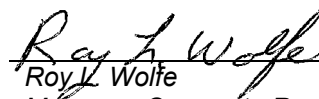
Decline 75th Fringe Area Annexation

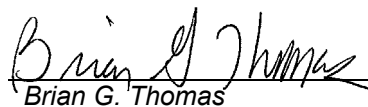
**Fiscal Impact:** Unrealized annexation fees and water sales revenue from non-annexed territory

**Staff Recommendation**

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Option #1

	9/5/2003
Roy L. Wolfe Manager, Corporate Resources	Date

	9/15/2003
for Brian G. Thomas Ronald R. Gastelum Chief Executive Officer	Date

**Attachment 1 – Detailed Report**

**Attachment 2 – Plan For Implementing Water Use Efficiency Guidelines**

**Attachment 3 – Resolution of Intention to Impose Standby Charges and Supplement I**

## Detailed Report

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### 75th Fringe Area Annexation

The Eastern Municipal Water District (Eastern) has requested conditional approval for the 75th Fringe Area Annexation, concurrently to Eastern and The Metropolitan Water District of Southern California (Metropolitan). The total area for annexation is 7.12 acres of which 0.2 acre is for road right-of-way, shown on the attached legal description and map. The property is located in Riverside County, within the city of Murrieta between Jefferson Avenue and Adams Avenue, southeast of Guava Street, and is currently vacant. The proposed use of this property is industrial. Currently, there are no plans for this type of use on this site. The projected annual water demand on Metropolitan is approximately 19 acre-feet per year through Eastern.

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

The annexation charge has been calculated pursuant to § 3300 of Metropolitan's Administrative Code. Utilizing the current rate of \$3,460 per net-acre and the sum of \$5,000 for processing costs, the annexation charge is \$28,943.20, if completed by December 31, 2003. The \$5,000 processing charge has already been paid. If the annexation is completed after December 31, 2003, the annexation charge will be calculated based on the then current annexation rate.


Completion of this annexation will be subject to such terms and conditions as may be fixed by the Board in granting final 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 which is the current rate that water standby charges are levied in other portions of Eastern's service area. 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 Charge, 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 that the property owners will be asked to mark and return. The ballots are weighted according to the proportionate obligation of each property. These ballots will be tabulated at a public hearing on the assessments scheduled to commence on December 9, 2003, or such other date as the Board shall determine. Imposition of the water standby charges in the annexed area will be imposed concurrently with final board approval of the annexation unless a majority of those ballots received from property owners protest the charges.

# EXHIBIT B

THIS EXHIBIT IS TO BE ATTACHED TO THE LEGAL DESCRIPTION

SCALE: 1" = 200'

### LEGEND

 PORTION TO BE ANNEXED  
 7.12 Acs. Gross  
 6.92 Acs. Net

BASIS OF BEARINGS IS THE NORTH-WESTERLY LINE OF LOT 73 (SOUTHEASTERLY LINE OF LOT 74) AS SHOWN ON P.M. 5/100 BEING N47°44'31"E

REVIEWED BY  
 THE METROPOLITAN WATER  
 DISTRICT OF SOUTHERN CALIFORNIA  
 RIGHT OF WAY ENGINEERING TEAM  
 DATE: 7-23-2003

LOT 74  
P.M. 5/100

LOT 'A'

R=686.70'  
 L=263.66'  
 $\Delta=21^{\circ}59'55''$   
 T=133.47'

JEFFERSON AVENUE

S42°15'00"E  
47.76'

PARCEL 1

PARCEL 2  
P.M. 7547 27/80

ALESCO DEVELOPMENT COMPANY, LLC  
ANNEXATION TO MWD

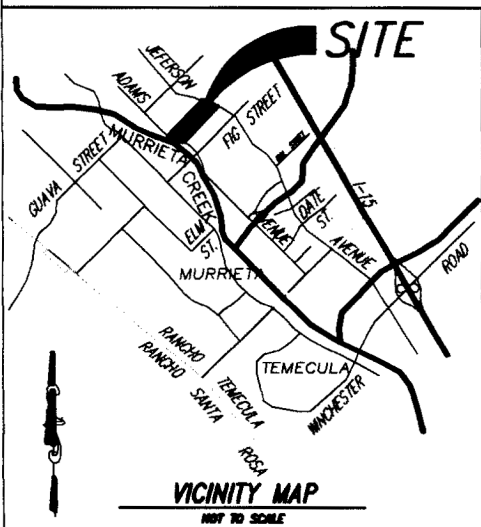
RANCHO TEMECULA  
(SEC. 27, T7S, R3W, S8M)

R=2185.00'  
 L=319.25'  
 $\Delta=08^{\circ}22'18''$   
 T=159.91'



*Brian L. Jensen*  
 BRIAN L. JENSEN R.C.E. 30534  
 DATE SIGNED 7/17/03

ADAMS AVENUE



IN THE  
CITY OF MURRIETA  
COUNTY OF RIVERSIDE  
STATE OF CALIFORNIA

THE METROPOLITAN  
WATER DISTRICT OF  
SOUTHERN CALIFORNIA

ALESCO DEVELOPMENT COMPANY, LLC  
75th FRINGE AREA ANNEXATION TO M.W.D.

PLAT AND LEGAL DESCRIPTION  
PREPARED BY:

JENSEN AND ASSOCIATES  
1487 WOODVALE LANE  
RIVERSIDE, CA. 92506  
(909) 780-1529

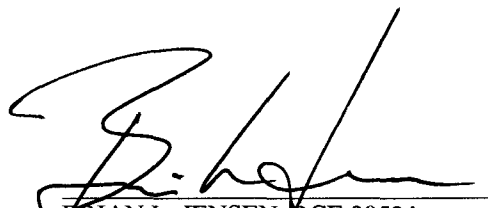
**EXHIBIT A**

ALESCO DEVELOPMENT COMPANY, LLC  
75<sup>th</sup> FRINGE AREA ANNEXATION TO MWD

PARCEL 1 OF PARCEL MAP 7547 AS SHOWN BY MAP ON FILE IN BOOK 27, PAGE 69 OF  
PARCEL MAPS. RECORDS OF RIVERSIDE COUNTY.

ANNEXATION AREA = 7.12 GROSS ACRES

REVIEWED BY  
THE METROPOLITAN WATER  
DISTRICT OF SOUTHERN CALIFORNIA  
RIGHT OF WAY ENGINEERING TEAM  
DATE: 7-23-2003

  
BRIAN L. JENSEN, RCE 30534



7/17/03

Water-Use Efficiency Guideline Plans  
June 2003

**DATE:** \_\_\_\_\_ **2003**

## **PLAN FOR IMPLEMENTING WATER-USE EFFICIENCY GUIDELINES**

**(ALESCO DEVELOPMENT COMPANY)  
TO  
EASTERN MUNICIPAL WATER DISTRICT,  
RANCHO CALIFORNIA WATER DISTRICT,  
AND  
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

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### General Description of Annexing Area

The area proposed for annexation is within the boundaries of the City of Murrieta and the water service area of Rancho California Water District. The area consists of 6.91 acres of undeveloped, industrial property. The site is located between Jefferson Avenue and Adams Avenue, southeast of Guava Street.

### Description

The ALESCO Development Company plans to develop this site into industrial use. Currently, there are no plans for the type of industrial use on this site. The City of Murrieta will review the development plans for the project. It is anticipated that development will occur within the next two years.

### Annual Water Use

Based on usage history for industrial type development, the estimated projected total average water demand in the annexation area is 17,500 gallons per day (GPD) or 19 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 [RCWD], Eastern Municipal Water District [EMWD], and MWD connection. Of this area's water demand, 100 percent will be served by RCWD from imported supplies of MWD. Incorporating various conservation measures discussed below in the *Best Management Practices* will minimize the demands on MWD.

### Peak Water Use

The projected maximum water demand in the annexation area is estimated to be approximately 44,000 GPD, 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 storage facilities to lessen the peaking on MWD facilities.

With RCWD producing approximately 50 percent of its ultimate needs from local sources and recycled water use, RCWD does not depend upon MWD to meet its total peak water demands.

The RCWD master plan has a criteria of RCWD providing sixteen hours of storage for maximum-day demand. The RCWD Capital Facilities Construction Program is aimed to meet this requirement. RCWD is currently under design or construction of four reservoirs to meet this criteria.

Water-Use Efficiency Guideline Plans  
June 2003

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Recycled Wastewater

EMWD has an aggressive program to promote the use of recycled water. At the present time, about 32,000 AFY of recycled water is sold for agricultural, landscaping, and golf course irrigation. Additional uses are planned as the recycled water distribution system is expanded. EMWD has adopted a water-recycling program (Ordinance 68) designed to expand the use of recycled water. One salient part of the ordinance requires, to the extent practical, the use of recycled water for greenbelt irrigation, agricultural irrigation, industrial processes, commercial uses, landscape or recreation impoundments, wildlife habitat, and groundwater recharge. EMWD has a full-time staff dedicated to provide technical support in promoting the use of these supplies.

RCWD has adopted a Recycled Water Master Plan for the utilization of recycled water for the benefit of RCWD and to minimize dependence upon imported supplies. At the present time, about 3,255 AFY of recycled water is sold for agricultural, commercial, landscaping, and golf course irrigation. Additional uses are planned as more recycled water becomes available and the recycled water distribution system is expanded. California State Codes and the RCWD Water Conservation Resolution promote the use of recycled water whenever possible. During drought situations, the use of potable water may be restricted, or even disallowed. By the use of recycled water, these restrictions may be eliminated. RCWD has taken a very proactive approach for the use of recycled water to a point that RCWD has contributed financially to install new systems or retrofit existing systems (particularly for schools and city governments) in order to promote recycled water use.

RCWD has an existing recycled water pipeline within Adams Avenue fronting this property. Recycled water service may be available to this property from the facility. An evaluation will be performed to determine if sufficient water pressure from the existing reclaimed facilities is available to this site. A dual distribution system will be required if the recycled water pressure can accommodate either irrigation on the property and/or if the industrial process can utilize recycled water.

Best Management Practices

Water Conservation is a long-term goal for EMWD. The EMWD water conservation programs encourage and support the efficient use of water resources by maximizing local resources, minimizing reliance on imported water, and promoting efficient water management practices. At least one model home constructed in each new development within the annexed area will demonstrate a water conserving landscape. EMWD's water conservation programs draw on support from several areas. The EMWD Water Conservation staff provides high visibility in the Community in providing customer assistance, home evaluations, participation at local Community festivals, and educational landscaping seminars/workshops. Home conservation kits and literature, including periodic bill stuffers, are also provided. EMWD's Education Program, whose goal is to foster understanding of water and wastewater issues and to promote wise water use among the future leaders of our community, impacted over 45,000 students in grades K-12 last year. A Community Relations staff incorporates conservation messages in press releases, speeches, and other messages. EMWD also has an active landscape demonstration program and provides financial support for the local Resource Conservation District in making efficient evaluations available for commercial and agricultural customers.

Water-Use Efficiency Guideline Plans  
June 2003

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EMWD is a signatory to the Memorandum of Understanding Regarding Urban Water Conservation in California, an agreement formulated in cooperation with the State Department of Water Resources and the State Water Conservation Coalition. As a signatory, EMWD has (as manifested in the enclosed list of “Completed Programs”) and will continue to implement water conservation measures referred to as *Best Management Practices*. To the extent practicable to do so and within the limits of the authority and jurisdiction, EMWD intends to comply with the *Best Management Practices* enclosed hereto as Exhibit ‘A’ as a part of its continuing water conservation efforts.

Water conservation is an integral component in the RCWD Water Facilities Master Plan as well as the Urban Water Management Plan. The RCWD water conservation programs promote the efficient use of water resources by maximizing the use of local sources, but not beyond their safe yield. These programs minimize reliance on imported water, requiring the use of recycled water where feasible, and promoting efficient water management practices. The RCWD Public Relations Department is very active in the community with the promotion of water conservation practices. RCWD staff participates by providing customer assistance, attending local public events, and holding educational workshops and seminars. A valuable RCWD tool is an education program with the local school districts, which fosters a water-wise understanding with the young citizens of the community.

RCWD participates in a low-usage toilet replacement program for the public, making available conservation kits and literature promoting water conservation. The RCWD office site utilizes recycled water for irrigation. Site landscaping is drought-tolerant and provides the public with a visualization of native drought-resistant plants.

Interruption of Service

EMWD and RCWD can sustain a seven-day interruption of service from MWD with the efficient use of local storage, groundwater well production, recycled water use, and enacting water conservation measures in times of need.



Water-Use Efficiency Guideline Plans  
June 2003

Compliance

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

**EASTERN MUNICIPAL WATER DISTRICT**

By: \_\_\_\_\_ Date: \_\_\_\_\_, 2003  
Anthony J. Pack, General Manager

**RANCHO CALIFORNIA WATER DISTRICT**

By: \_\_\_\_\_ Date: \_\_\_\_\_, 2003  
John F. Hennigar, General Manager

**ALESCO DEVELOPMENT COMPANY**

By: \_\_\_\_\_ Date: \_\_\_\_\_, 2003

\_\_\_\_\_  
*Please print name*

\_\_\_\_\_  
*Please print title*

Water-Use Efficiency Guideline Plans  
June 2003

**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

**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 § 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 owner of the parcel identified in the attached Engineer’s Report, dated August 2003 (the “Engineer’s Report”) has 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 meeting to be held on December 9, 2003, or such other date as the Board shall determine, on the Chief Executive Officer’s (CEO) recommendation to impose a water standby charge for fiscal year 2004/05 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 75th Fringe Area 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 December 9, 2003, 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 75th Fringe Area 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 2004/05, 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 intention to adopt proposed water standby charges provided in this Resolution is not defined as a project under the provisions of the California Environmental Quality Act (CEQA) and the State CEQA Guidelines, because it involves the creation of government funding

mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378 (b)(4) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines). Prior to formal approval of the annexation and water standby charges from the Board, CEQA documentation will be prepared by the Lead Agency and processed in accordance with CEQA and the State CEQA Guidelines. As the Responsible Agency, Metropolitan's Board will then review and consider the CEQA documentation before taking action.

**Section 9.** That the CEO is hereby authorized and directed to take all necessary actions 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 14, 2003.

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Executive Secretary  
The Metropolitan Water District  
of Southern California

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

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**ENGINEER'S REPORT**

**Supplement I**

**PROPOSED PROGRAM TO LEVY STANDBY CHARGES,**

**EASTERN MUNICIPAL WATER DISTRICT**

**75th FRINGE AREA ANNEXATION**

**August 2003**

**BACKGROUND**

This report is a supplement to The Metropolitan Water District of Southern California (Metropolitan) Engineer's Report for the Program to Levy Readiness-To-Serve Charge, Including Local Option for Standby Charge during fiscal year 2004/05, dated December 2002, adopted by Metropolitan's Board on March 11, 2003 (Engineer's Report). A copy of the Engineer's Report is on file with the Executive Secretary. Metropolitan collects a readiness-to-serve charge (RTS) as an availability of service charge from the member public agencies. Member public agencies may request that Metropolitan collect a portion of their RTS obligation through Metropolitan's water standby charge. This Supplement to the Engineer's Report augments that Report to include the proposed annexing area and satisfies the requirements of Proposition 218, the "Right to Vote on Taxes Act", approved by California voters November 5, 1996, which classifies standby charges as assessments on newly annexed properties.

**DESCRIPTION OF ANNEXING AREA**

The Eastern Municipal Water District (Eastern) has requested that Metropolitan collect all or a portion of its RTS obligation through a Metropolitan water standby charge imposed on parcels within Eastern's service area boundary. The owners of property constituting proposed 75th Fringe Area Annexation have applied for annexation into Eastern. Once the territory is annexed, Metropolitan water will be available to these parcels and these parcels will receive the benefit of the projects funded in part by Metropolitan water standby charges, as described in the Engineer's Report. Eastern has requested that Metropolitan impose water standby charges on these properties at the rate specified in the Engineer's Report, following annexation of these properties into Metropolitan.

**COST BENEFIT OF THE ANNEXING AREA**

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.

The following table lists the parcels included in the 75th Fringe Area Annexation and the proposed water standby charge for fiscal year 2004/05.

**Table A**  
**Water standby charges for 75th Fringe Area Annexation**

<u>Parcel Number</u>	<u>Acres</u>	<u>Standby Charge</u> <u>(fiscal year 2004/05)</u>
909-060-048	6.91	\$ 47.96
Total		\$ 47.96

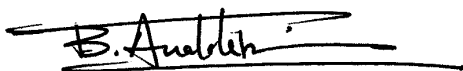
The estimated potential benefits of Metropolitan's water supply program that could be paid by a standby charge are approximately \$242 million for fiscal year 2004/05, as shown in Table 1 of the Engineer's Report. An average total standby charge of \$57.75 per acre of land or per parcel of less than one acre would be necessary to pay for the total potential program benefits within Metropolitan's service area. The Engineer's Report has estimated total benefits of this magnitude accrue to each acre of property and parcel within Metropolitan, as these properties are eligible to use water from the Metropolitan system. Because only properties located within Metropolitan's boundaries may receive water supplies from Metropolitan (except for certain contractual deliveries as permitted under § 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.

Table 5 of the Engineer's Report shows that the distribution of standby charge revenues from the various member agencies would provide revenue of approximately \$42 million for fiscal year 2004/05. This total amount is less than projected collections from the RTS charge. Metropolitan will use other revenue sources, such as water sales revenues, RTS 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 conveyance, storage, distribution and supply programs far exceed the recommended standby charge, thus ensuring that no parcel within the 75th Fringe Area Annexation is assessed water standby charges in excess of the reasonable cost of the proportional special benefit conferred on that parcel.

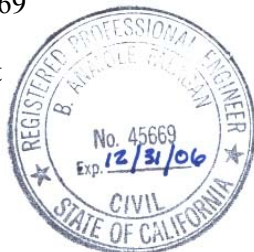
**SUMMARY**

The foregoing and the attached tables in the Engineer's Report 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 the 75th Fringe Area Annexation as a credit against Eastern's RTS obligation for fiscal year 2004/05, in the amount of \$6.94 per acre or parcel of less than one acre, to be levied by Metropolitan within Eastern. The special benefits described in this Engineer's Report exceed the recommended charge. The water standby charges for parcels (identified in Table A above) within 75th Fringe Area Annexation total \$47.96 annually.

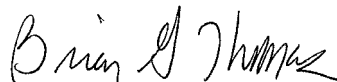
Prepared Under the Supervision Of:



B. Anatole Falagan RCE 45669  
Assistant Group Manager  
Water Resource Management



Prepared Under the Supervision Of:



Brian G. Thomas  
Chief Financial Officer