



● **Board of Directors**
Business and Finance Committee

2/9/2010 Board Meeting

7-3

Subject

Amend Administrative Code to change date for establishing water rates

Description

Section 4304 of Metropolitan's Administrative Code provides the regular process and schedule for the Board's annual adoption of water rates and charges. Under the current schedule, the cost-of-service analysis, proposed revenue requirement and recommended rates are presented to the Business and Finance Committee in January of each year; the Committee conducts a public hearing on the proposed rates and charges, usually in February; and in March the Committee determines the revenue requirement and recommended water rates, and the Board establishes rates. Water standby charges are separately considered, with board action in May.

At its meeting on January 11, the Business and Finance Committee received the cost of service analysis, proposed revenue requirement and recommended rates to be effective January 1, 2011. In order to more closely align the approval and adopting of rates and charges with the water supply allocation decision, the committee recommended, and the Board approved, revising the schedule such that the budget and rates would be approved in April. The Committee set the public hearing for the Committee's March meeting and recommended establishment of rates in April 2010 rather than March. This recommendation was adopted by the Board.

The Committee observed that Metropolitan has established water rates in April rather than March in two of the most recent three years (2007 and 2009) and will do so again in April 2010. The Committee asked staff to prepare Administrative Code amendments that provide for adoption of rates in April instead of March in future years. Accordingly, this board letter is provided for consideration of these amendments.

Attachment 1 contains the proposed amendments with the changes shown in underline and strikeout format.

Attachment 2 shows the revised Administrative Code sections with these amendments. The complete text of the Plans as they presently exist can be viewed in Division 4 of the Administrative Code on Metropolitan's Web site.

Policy

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenue

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) 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).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and approve the proposed changes to section 4304 of the Administrative Code amending the date to establish water rates and charges.

Fiscal Impact: None

Business Analysis: The proposed amendments will conform the regular schedule for adoption of water rates and charges to recent practice, setting rates when more information on water supply is available.

Option #2

Do not approve the proposed amendments

Fiscal Impact: None

Business Analysis: The regular schedule for adoption of water rates and charges will not change.

Staff Recommendation

Option #1



Brian G. Thomas
Assistant General Manager/
Chief Financial Officer

1/28/2010
Date



Jeffrey Lightlinger
General Manager

1/28/2010
Date

Attachment 1 – Revised Administrative Code sections (changes marked)

Attachment 2 – Revised Administrative Code sections (final form)

§ 4304. Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenue.

(a) Not later than at its January meeting the General Manager shall present to the Business and Finance Committee of the Board:

(1) Determinations of the revenue requirements and cost of service analysis supporting the rates and changes required during the fiscal year beginning the following July 1, as determined by the General Manager in accordance with current Board policies, and,

(2) Recommendations of rates, including, but not limited to, the System Access Rate, Water Stewardship Rate, System Power Rate, Treatment Surcharge, and the Supply Rates, for the various classes of water service to become effective the following January 1. These recommended rates shall be the General Manager's determination, made in accordance with current Board policies, of the rates necessary to produce substantially the revenues to be derived from water sales during the fiscal year beginning the following July 1.

(b) The General Manager shall also present to the Business and Finance Committee at its January meeting recommendations regarding the continuation of a water standby charge or the imposition of an availability of service charge (such as the readiness-to-serve charge and capacity charge) which charge shall be the General Manager's determination, made in accordance with current Board policies, of the charge necessary to produce substantially the revenues to be derived from firm revenue sources, if any, exclusive of taxes, during the fiscal year beginning the following July 1 which the Business and Finance Committee has determined to be necessary.

(c) Not later than its January meeting the Business and Finance Committee shall set a time or times for, and shall thereafter hold, one or more meetings of the Business and Finance Committee to be held prior to its regular ~~March~~ April meeting at which interested parties may present their views regarding the proposed water rates and availability of service charges to said committee. The Business and Finance Committee shall direct the General Manager to cause the publication of a notice of such public hearing to be published in newspapers of general circulation within the District's service area. Such notice shall be published not less than 10 days prior to the public hearing.

(d) At its regular ~~March~~ April meeting the Business and Finance Committee shall make its determination regarding the revenue requirement to be paid from water rates and the water rates to become effective the following January 1 and shall recommend said water rates to the Board at the Board's regular ~~March~~ April meeting.

(e) At its ~~March~~ April meeting, the Board shall establish water rates for deliveries beginning the following January 1.

(f) Not later than its regular May meeting, the Business and Finance Committee shall make its final determination regarding the water standby charge or other firm revenue charge, if any, for the fiscal year beginning the following July 1, and shall recommend such charge, if any, to the Board at its regular May meeting.

(g) Not later than its May meeting, the Board shall consider and take action upon the recommendations, if any, of the Business and Finance Committee regarding a firm revenue source, exclusive of taxes, for the fiscal year beginning the following July 1.

(h) Proposals for changes in water rates to become effective at times other than on January 1 shall require adequate notice to the public and a hearing before such proposals are acted upon by the Board, unless the Board finds that an immediate change in water rates is urgent.

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(d) At its regular April meeting the Business and Finance Committee shall make its determination regarding the revenue requirement to be paid from water rates and the water rates to become effective the following January 1 and shall recommend said water rates to the Board at the Board's regular April meeting.

(e) At its April meeting, the Board shall establish water rates for deliveries beginning the following January 1.

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