



Options for Leasing Metropolitan Property In Palo Verde Valley

Real Property & Asset Management Committee
Item 9-3
November 23, 2010

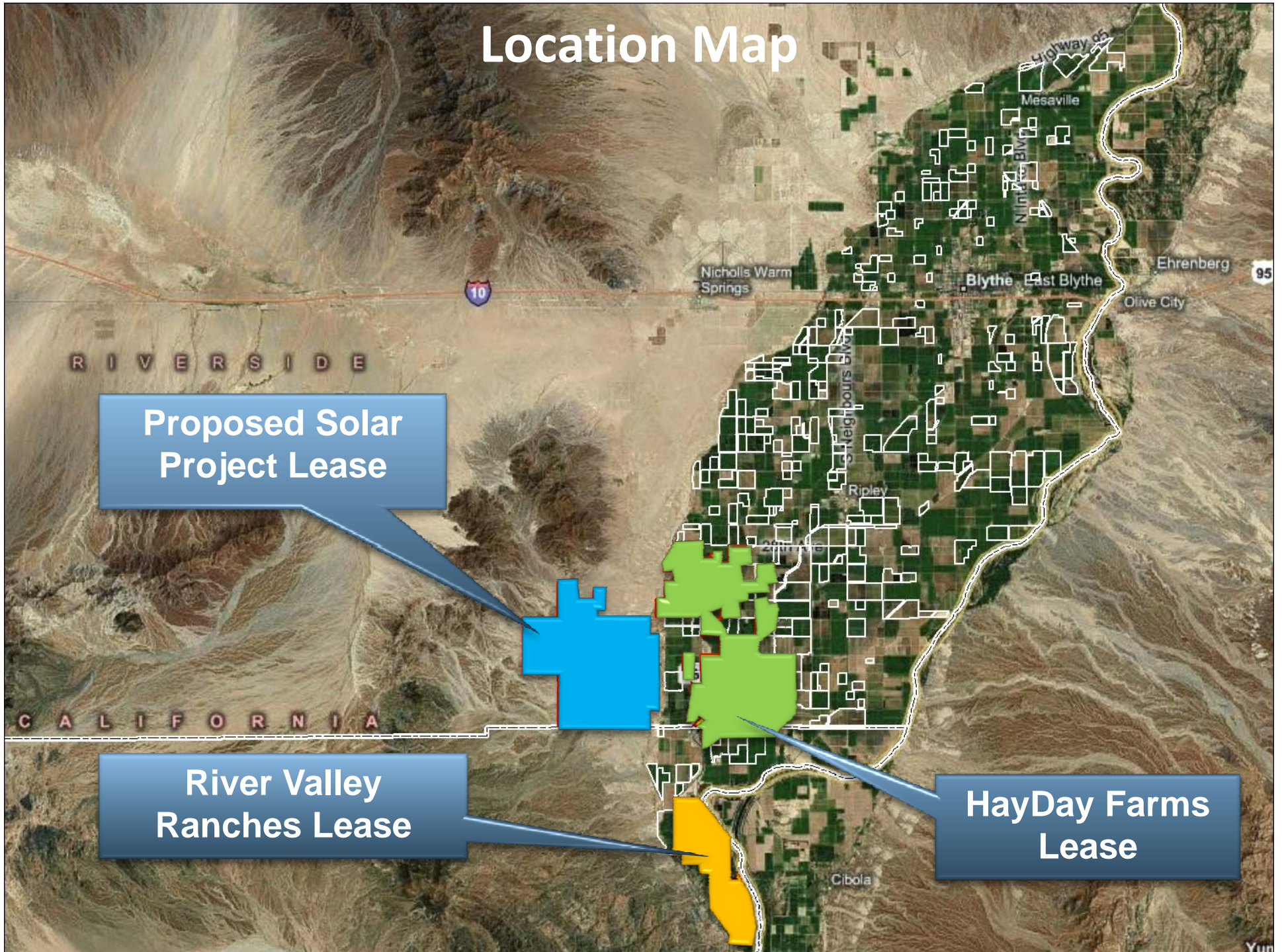
Presentation

- Property Description and Location
- Overview of Following Program
- Current Tenant and Lease
- Request for Proposals

Location Map



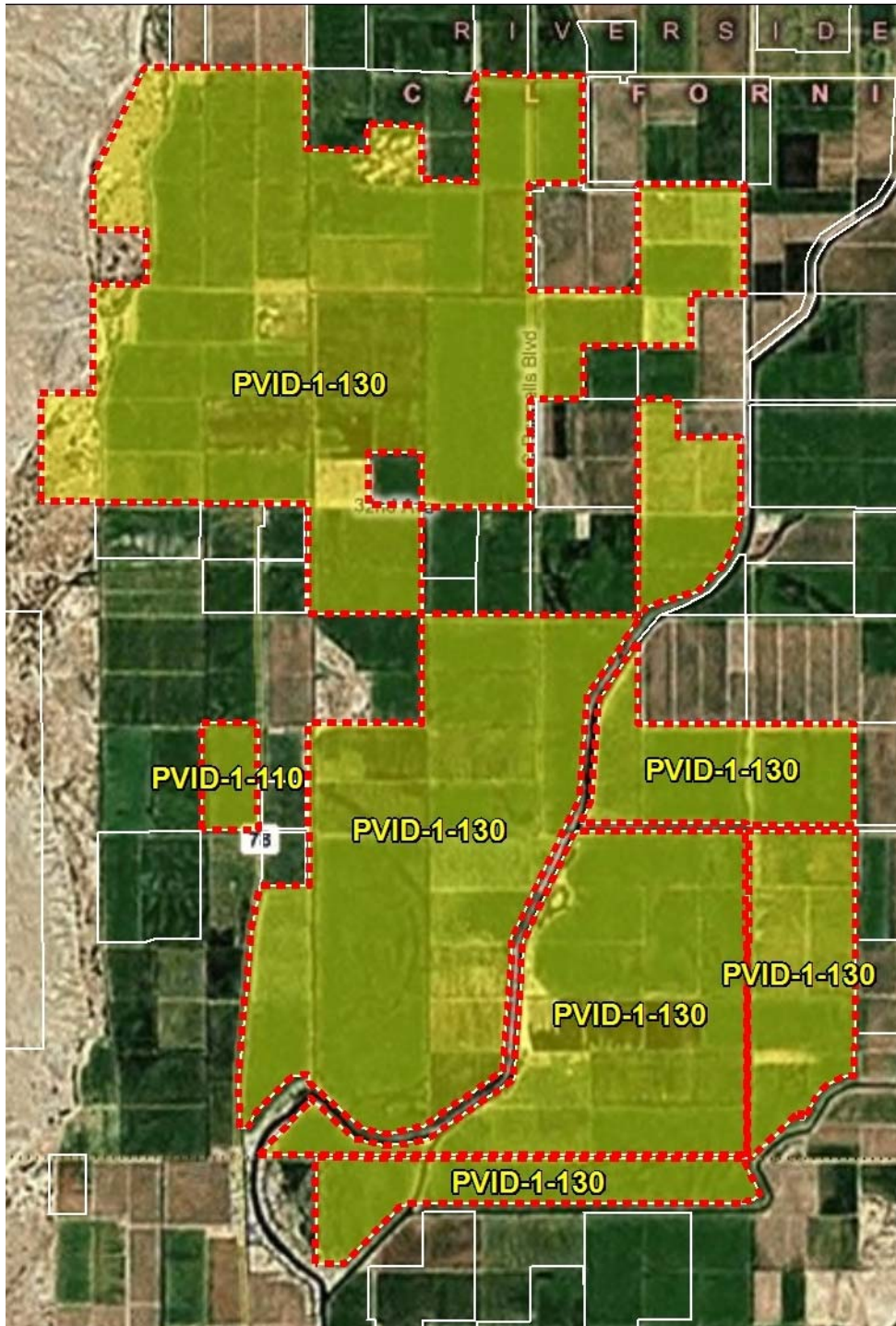
Location Map



Proposed Solar Project Lease

River Valley Ranches Lease

HayDay Farms Lease



Lease Description

- Tenant: HayDay Farms
- Size: 7,000 ± gross acres
6,685 wta
- Crops: Alfalfa, Sudan Grass
- Terms (Annual):
 - Pay rent to Metropolitan (\$145/wta , ~ \$969,325)
 - Pay water tolls to PVID (\$55/wta)
- Lease Expires: Dec. 31, 2011

HayDay Farms

- In 2007, Metropolitan and HayDay Farms entered into a new lease agreement to:
 - increase the rent, and
 - require tenant's participation in following program
- The Lessee is an experienced, locally based farmer who has farmed this property for 15 years
- Metropolitan maintains good tenant relations with the Lessee

Following Program Overview

- Conserved over 500,000 acre-feet to date
- 2005 to 2040 term
- Agreements
 - Administration - MWD & PVID
 - Participating landowners, MWD & PVID
 - Palo Verde Valley Community Improvement Fund

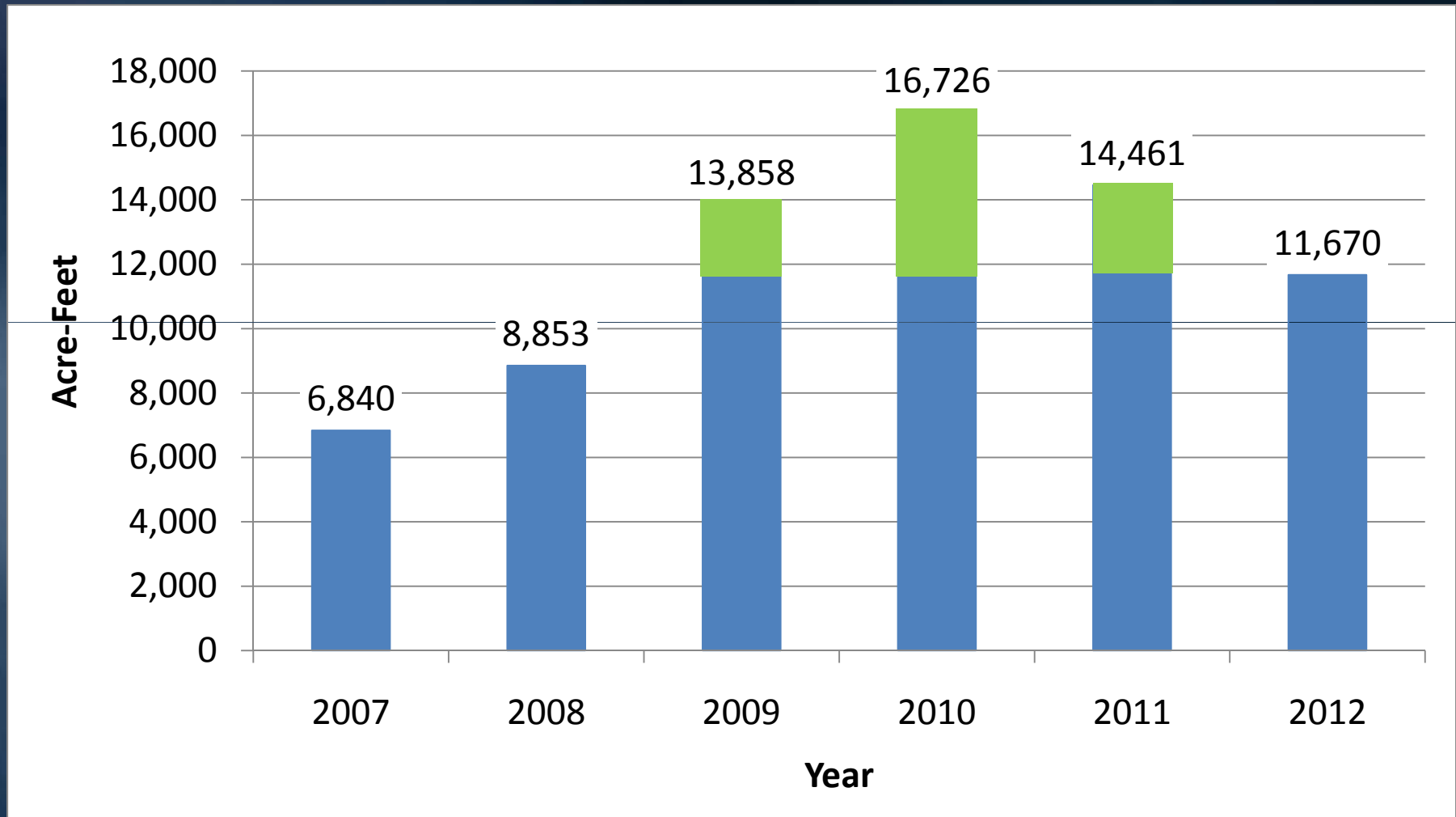
How Fallowing Works

- Fallowing based upon MWD Call
- Maximum 35% of irrigated land
 - 130,000 acre-feet/year
 - Aug. 2009 to July 2012 under max call
- Minimum 7% of irrigated land
 - 33,000 acre-feet/year

Participants

- 98 original landowner agreements
 - 35-year easements
- Administration
 - As many as 10,000 fields followed
- Metropolitan property in PVID
 - Lessees' following based on lease terms
 - Hayday lease requires participation in experimental conservation projects

Water Conserved by Fallowing Under Lease



Following Provision in HayDay Lease

- Metropolitan reimburses tenant:
 - Prepaid Rent: \$145/fallowed acre
 - Prepaid Water tolls: \$55/fallowed acre
- Metropolitan pays tenant:
 - Maintenance: \$120/fallowed acre
- Lessee does not receive any initial sign up or annual payments from the following program

Additional Lease Provisions

- Existing Lease:
 - One year notice to tenant for following percentage
 - Work with Metropolitan to implement experimental water conservation projects
- Proposed New Lease:
 - Six-month notice to tenant for following percentage
 - In addition to water efficiency allow for studies and implementation of a compatible wind energy program
 - Fair Market Rent: Currently \$185/wta

Request for Proposals

- Alternative to renewing existing lease
- Test of the Market for:
 - Other potential farm leases
 - Maximizing rents
 - Reducing maintenance costs
- Risks include:
 - No assurance of better lease terms or tenant
 - Potential loss of income due to a gap in transitioning to a new tenant

Conclusion

- Farm Lease is beneficial to Metropolitan
- Either renewing the lease with the existing tenant or issuing a Request for Proposal are viable options