

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

November 30, 1992

To: Board of Directors (Water Problems Committee--Action)
 (Finance and Insurance Committee--Information)
 (Special Budget Committee--Information)
From: General Manager
Subject: Determination of Firm Revenue Source

Report

At the November 24, 1992, meeting of the Special Budget Committee, staff presented three alternative methods of imposing a water standby charge on real property within the District's service area to raise approximately \$50 million in net firm revenues during fiscal year 1993-94. The three alternatives are described as follows:

Alternative 1 -- Uniform Standby Charge

Under this alternative each acre or parcel less than an acre is assessed \$10.

Alternative 2 -- Base Charge Plus Variable Component Based on Historical Water Use

Under this alternative each acre or parcel less than an acre is assessed a charge based on a combination of two factors. The first factor is a base charge of \$5; the second factor is variable and based on each member agency's historical use of water from the District. The historical water use is calculated over the previous four fiscal years (omitting in-lieu and reclamation water). The four year water sales calculation would be a moving total. In order to provide short-term predictability, the calculated composite standby charge on real property within each member agency would not be increased over a three-year period. Reductions in the charge, however, would be made during the three-year period when the water sales calculation demonstrates reduced use of water from Metropolitan. The maximum standby charge under this alternative shall not exceed \$15.

Alternative 3 -- Variable Charge Based on Reliance on MWD

Under this alternative the net \$50 million in revenue to be raised would be assessed proportionally on the real property within each member agency based on each agency's reliance on Metropolitan's water supply. The charge per acre or parcel less than an acre would be determined as follows:

<u>Percent of Agency Water Purchased from MWD</u>	<u>Standby Charge</u>
0 - 20%	\$3.25
20 - 40%	6.50
40 - 60%	9.75
60 - 80%	13.00
80 - 100%	16.25

Tables 1 through 3 attached to this letter show the estimated standby charges and total amounts to be collected for each member agency under the respective alternatives.

This letter recommends that the Water Problems Committee make a determination that the approximate \$50 million in net firm revenue expected to be recommended by the Finance and Insurance Committee for 1993-94 be collected by means of a water standby charge. It will be necessary for the Board to determine which of the alternative standby charges should be implemented and adopt an appropriate resolution of intent at its January 1993 meeting.

It should be understood that any method selected will be dependent for its validity upon the preparation of an engineers report justifying the amount and the allocation of the charge. Also, legal issues raised in previous letters related to the authority for collection of the standby charge through the tax rolls remain a matter of concern. However, I am advised that while the issues are not free from doubt, it is the considered opinion of the Legal Department that the procedures to be adopted in imposing and collecting the standby charge should be sustained in the event of challenge.

The recommendations made in this letter are exempt from the California Environmental Quality Act because they can have no possible effect in the environment.

Board Committee Assignments

This letter is being referred to:

The Special Budget Committee because of its authority to review and make recommendations on proposed annual budgets pursuant to Administrative Code Section 2531;


The Finance and Insurance Committee because of its authority to study, advise and make recommendations with regard to determination of revenues to be obtained through sales of water, water standby or availability of service charges and levying of taxes pursuant to Administrative Code Section 2441 (e); and

The Water Problems Committee because of its authority to study, advise and make recommendations with regard to policies affecting the selling prices of water and policies regarding allocation of water standby and availability of service charges within the District pursuant to Administrative Code Section 2481(d), (e), and (f).

Recommendation

WATER PROBLEMS COMMITTEE FOR ACTION.

It is recommended that the Water Problems Committee make a determination that net firm revenue exclusive of ad valorem property taxes recommended by the Finance and Insurance Committee for Fiscal Year 1993-94 be raised by means of a water standby charge on land within the District's service area.


Carl Boronkay

CP:GDL\mjc

Attachments

TABLE 1
(Alternative 1)

UNIFORM PARCEL CHARGE

	(1)	(2)	(3)
	(1) * (2)		
MEMBER AGENCIES	NUMBER OF PARCELS OR ACRES	CHARGE PER PARCEL	GROSS REVENUE
City of Beverly Hills	9,117.2	\$10.00	\$91,172
City of Burbank	28,341.4	\$10.00	\$283,414
Central Basin MWD	336,822.4	\$10.00	\$3,368,224
City of Compton	18,036.2	\$10.00	\$180,362
Foothill MWD	30,377.0	\$10.00	\$303,770
City of Glendale	44,042.1	\$10.00	\$440,421
Las Virgenes MWD	70,865.5	\$10.00	\$708,655
City of Long Beach	87,440.7	\$10.00	\$874,407
City of Los Angeles	770,918.6	\$10.00	\$7,709,186
City of Pasadena	36,358.4	\$10.00	\$363,584
City of San Fernando	5,170.2	\$10.00	\$51,702
City of San Marino	5,017.0	\$10.00	\$50,170
City of Santa Monica	20,692.8	\$10.00	\$206,928
Three Valleys MWD	154,669.0	\$10.00	\$1,546,690
City of Torrance	37,535.5	\$10.00	\$375,355
Upper San Gabriel MWD	231,723.8	\$10.00	\$2,317,238
West Basin MWD	247,872.0	\$10.00	\$2,478,720
Los Angeles County	2,134,999.8	\$10.00	\$21,349,998
City of Anaheim	69,755.1	\$10.00	\$697,551
Coastal MWD	106,785.0	\$10.00	\$1,067,850
City of Fullerton	35,164.3	\$10.00	\$351,643
MWD of Orange County	670,377.8	\$10.00	\$6,703,778
City of Santa Ana	57,361.5	\$10.00	\$573,615
Orange County	939,443.7	\$10.00	\$9,394,437
Eastern MWD	388,410.5	\$10.00	\$3,884,105
Western MWD of Riverside Co.	285,021.9	\$10.00	\$2,850,219
Riverside County	673,432.3	\$10.00	\$6,734,323
Chino Basin MWD	215,399.1	\$10.00	\$2,153,991
San Bernardino County	215,399.1	\$10.00	\$2,153,991
Calleguas MWD	345,203.1	\$10.00	\$3,452,031
Ventura County	345,203.1	\$10.00	\$3,452,031
San Diego CWA	1,076,382.1	\$10.00	\$10,763,821
San Diego County	1,076,382.1	\$10.00	\$10,763,821
Total	5,384,860.0	\$10.00	\$53,848,600

Table 2
(Alternative 2)

BASE PLUS HISTORIC CHARGE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	(1) * (2)						(1) + (6)	(3) + (5)
MEMBER AGENCIES	BASE PER PARCEL OR ACRE	NUMBER OF PARCELS OR ACRES	AMOUNT COLLECTED	% MWD WATER USE	\$ TO BE COLLECTED	VARIABLE PARCEL CHARGE	TOTAL PARCEL CHARGE	GROSS REVENUES
City of Beverly Hills	\$5.00	9,117.2	\$45,586	0.8251%	\$91,171.80	\$10.00	\$15.00	\$136,757.70
City of Burbank	\$5.00	28,341.4	\$141,707	0.9307%	\$260,606.44	\$9.20	\$14.20	\$402,313.54
Central Basin MWD	\$5.00	336,822.4	\$1,684,112	6.5374%	\$1,830,463.70	\$5.43	\$10.43	\$3,514,575.55
City of Compton	\$5.00	18,036.2	\$90,181	0.2522%	\$70,629.50	\$3.92	\$8.92	\$160,810.65
Foothill MWD	\$5.00	30,377.0	\$151,885	0.5727%	\$160,348.78	\$5.28	\$10.28	\$312,233.93
City of Glendale	\$5.00	44,042.1	\$220,211	1.1379%	\$318,606.13	\$7.23	\$12.23	\$538,816.68
Las Virgenes MWD	\$5.00	70,865.5	\$354,328	0.7676%	\$214,932.80	\$3.03	\$8.03	\$569,260.50
City of Long Beach	\$5.00	87,440.7	\$437,203	2.2346%	\$625,685.80	\$7.16	\$12.16	\$1,062,889.05
City of Los Angeles	\$5.00	770,918.6	\$3,854,593	10.1269%	\$2,835,538.30	\$3.68	\$8.68	\$6,690,131.25
City of Pasadena	\$5.00	36,358.4	\$181,792	0.8737%	\$244,626.58	\$6.73	\$11.73	\$426,418.73
City of San Fernando	\$5.00	5,170.2	\$25,851	0.0530%	\$14,839.69	\$2.87	\$7.87	\$40,690.49
City of San Marino	\$5.00	5,017.0	\$25,085	0.0580%	\$16,242.38	\$3.24	\$8.24	\$41,327.33
City of Santa Monica	\$5.00	20,692.8	\$103,464	0.5967%	\$167,069.68	\$8.07	\$13.07	\$270,533.68
Three Valleys MWD	\$5.00	154,669.0	\$773,345	3.9816%	\$1,114,858.53	\$7.21	\$12.21	\$1,888,203.28
City of Torrance	\$5.00	37,535.5	\$187,678	0.9696%	\$271,497.79	\$7.23	\$12.23	\$459,175.39
Upper San Gabriel MWD	\$5.00	231,723.8	\$1,158,619	3.5306%	\$988,564.48	\$4.27	\$9.27	\$2,147,183.43
West Basin MWD	\$5.00	247,872.0	\$1,239,360	10.0209%	\$2,478,720.20	\$10.00	\$15.00	\$3,718,080.30
Los Angeles County	\$5.00	2,134,999.8	\$10,674,999	43.4693%	\$11,704,402.57	\$5.48	\$10.48	\$22,379,401.47
City of Anaheim	\$5.00	69,755.1	\$348,775	0.8835%	\$247,373.53	\$3.55	\$8.55	\$596,148.98
Coastal MWD	\$5.00	106,785.0	\$533,925	2.5161%	\$704,520.93	\$6.60	\$11.60	\$1,238,445.83
City of Fullerton	\$5.00	35,164.3	\$175,822	0.7177%	\$200,961.53	\$5.71	\$10.71	\$376,783.13
MWD of Orange County	\$5.00	670,377.8	\$3,351,889	12.1808%	\$3,410,620.83	\$5.09	\$10.09	\$6,762,509.63
City of Santa Ana	\$5.00	57,361.5	\$286,808	0.5893%	\$164,998.26	\$2.88	\$7.88	\$451,805.81
Orange County	\$5.00	939,443.7	\$4,697,218	16.8874%	\$4,728,475.09	\$5.03	\$10.03	\$9,425,693.39
Eastern MWD	\$5.00	388,410.5	\$1,942,052	2.6935%	\$754,185.33	\$1.94	\$6.94	\$2,696,237.63
Western MWD of Riverside Co.	\$5.00	285,021.9	\$1,425,109	4.3015%	\$1,204,406.12	\$4.23	\$9.23	\$2,629,515.42
Riverside County	\$5.00	673,432.3	\$3,367,162	6.9950%	\$1,958,591.45	\$2.91	\$7.91	\$5,325,753.05
Chino Basin MWD	\$5.00	215,399.1	\$1,076,995	1.9921%	\$557,786.07	\$2.59	\$7.59	\$1,634,781.47
San Bernardino County	\$5.00	215,399.1	\$1,076,995	1.9921%	\$557,786.07	\$2.59	\$7.59	\$1,634,781.47
Calleguas MWD	\$5.00	345,203.1	\$1,726,015	5.6419%	\$1,579,730.12	\$4.58	\$9.58	\$3,305,745.37
Ventura County	\$5.00	345,203.1	\$1,726,015	5.6419%	\$1,579,730.12	\$4.58	\$9.58	\$3,305,745.37
San Diego CWA	\$5.00	1,076,382.1	\$5,381,911	25.0144%	\$7,004,025.07	\$6.51	\$11.51	\$12,385,935.57
San Diego County	\$5.00	1,076,382.1	\$5,381,911	25.0144%	\$7,004,025.07	\$6.51	\$11.51	\$12,385,935.57
Total	\$5.00	5,384,860.0	\$26,924,300	100.0000%	\$27,533,010.38	\$5.11	\$10.11	\$54,457,310.33

Table 3
(Alternative 3)

MEMBER AGENCIES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	FY 1987-91 MWD SALES *	FY 1987-91 LOCAL PRODUCTION	(1) + (2) FY 1987-91 TOTAL WATER DEMAND	(1)/(3) % MWD WATER USED	CHARGE \$/PARCEL	NUMBER OF PARCELS OR ACRES	(5) * (6) GROSS REVENUES
City of Beverly Hills	57,726.3	0.0	57,726.3	100.000%	\$16.25	9,117.2	\$140,154.18
City of Burbank	65,119.6	2,855.0	67,974.6	95.799%	\$16.25	28,341.4	\$460,548.08
Central Basin MWD	457,391.1	507,799.9	965,191.0	47.388%	\$9.75	336,822.4	\$3,284,018.11
City of Compton	17,648.7	23,652.0	41,300.7	42.732%	\$9.75	18,036.2	\$175,853.24
Foothill MWD	40,067.5	24,330.4	64,397.9	62.218%	\$13.00	30,377.0	\$394,901.39
City of Glendale	79,612.4	18,636.1	98,248.5	81.031%	\$16.25	44,042.1	\$715,684.29
Las Virgenes MWD	53,706.8	5,466.3	59,173.1	90.762%	\$16.25	70,865.5	\$1,151,565.03
City of Long Beach	156,344.6	117,936.0	274,280.6	57.001%	\$9.75	87,440.7	\$852,546.34
City of Los Angeles	708,536.3	1,515,603.5	2,224,139.8	31.856%	\$6.50	770,918.6	\$5,010,970.84
City of Pasadena	61,126.6	54,329.9	115,456.5	52.943%	\$9.75	36,358.4	\$354,494.69
City of San Fernando	3,708.1	9,484.6	13,192.7	28.107%	\$6.50	5,170.2	\$33,606.04
City of San Marino	4,058.6	20,903.9	24,962.5	16.258%	\$3.25	5,017.0	\$16,305.22
City of Santa Monica	41,746.9	25,021.0	66,767.9	62.525%	\$13.00	20,692.8	\$269,006.40
Three Valleys MWD	278,577.7	233,745.5	512,323.2	54.375%	\$9.75	154,669.0	\$1,508,022.26
City of Torrance	67,841.1	10,038.5	77,879.6	87.110%	\$16.25	37,535.5	\$609,952.20
Upper San Gabriel MWD	247,019.7	505,550.4	752,570.1	32.823%	\$6.50	231,723.8	\$1,506,204.64
West Basin MWD	701,121.1	60,782.4	761,903.5	92.022%	\$16.25	247,872.0	\$4,027,920.33
Los Angeles County	3,041,353.1	3,136,135.4	6,177,488.5	49.232%	\$9.75	2,134,999.8	\$20,519,753.25
City of Anaheim	61,813.0	176,897.3	238,710.3	25.894%	\$6.50	69,755.1	\$453,408.09
Coastal MWD	176,043.7	26,883.7	202,927.4	86.752%	\$16.25	106,785.0	\$1,735,255.93
City of Fullerton	50,215.7	71,244.5	121,460.2	41.343%	\$9.75	35,164.3	\$342,852.12
MWD of Orange County	852,236.3	692,606.2	1,544,842.5	55.166%	\$9.75	670,377.8	\$6,536,183.16
City of Santa Ana	41,229.3	130,020.7	171,250.0	24.075%	\$6.50	57,361.5	\$372,849.82
Orange County	1,181,538.0	1,097,652.4	2,279,190.4	51.840%	\$9.75	939,443.7	\$9,440,549.11
Eastern MWD	188,453.7	379,894.6	568,348.3	33.150%	\$6.50	388,410.5	\$2,524,667.99
Western MWD of Riverside Co.	300,953.6	747,910.3	1,048,863.9	28.693%	\$6.50	285,021.9	\$1,852,642.09
Riverside County	489,407.3	1,127,804.9	1,617,212.2	30.262%	\$6.50	673,432.3	\$4,377,310.08
Chino Basin MWD	119,493.5	608,420.1	727,913.6	16.415%	\$3.25	215,399.1	\$700,047.01
San Bernardino County	119,493.5	608,420.1	727,913.6	16.415%	\$3.25	215,399.1	\$700,047.01
Calleguas MWD	394,738.5	110,078.1	504,816.6	78.194%	\$13.00	345,203.1	\$4,487,639.65
Ventura County	394,738.5	110,078.1	504,816.6	78.194%	\$13.00	345,203.1	\$4,487,639.65
San Diego CMA	1,750,146.0	206,006.6	1,956,152.6	89.468%	\$16.25	1,076,382.1	\$17,491,209.13
San Diego County	1,750,146.0	206,006.6	1,956,152.6	89.468%	\$16.25	1,076,382.1	\$17,491,209.13
Total	6,976,676.4	6,286,097.5	13,262,773.9			5,384,860.0	\$57,016,508.22

NOTE: COLUMN (5) "CHARGE \$/PARCEL"
IS CALCULATED BASED ON THE FOLLOWING:
0 - 19.99% = \$3.25
20 - 39.99% = \$6.50
40 - 59.99% = \$9.75
60 - 79.99% = \$13.00
80 - 100% = \$16.25

* Acre-feet includes water delivered as Domestic Non-Interruptible,
Direct GWR, Agricultural, and Sea Water Barrier.
Excludes In-Lieu, Garvey Reservoir, and Reclaimed.