



- Board of Directors
Finance and Insurance Committee

5/10/2022 Board Meeting

7-1

Subject

Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2022/23; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action continues the Standby Charge at a rate ranging from \$2.49 to \$14.20 per year for each acre or parcel (if less than an acre) of nonexempt real property within the service area of member agencies that have elected since fiscal year (FY) 1993/94 to pay all or a portion of their Readiness-to-Serve (RTS) Charge obligation through the Standby Charge. The Standby Charge has been collected for those agencies at rates that do not exceed the rates set in FY 1993/94. Continuance of the Standby Charge generates funds that are applied against the participating member agencies' RTS Charge obligation.

Details

Background

On April 13, 2021, Metropolitan's Board of Directors adopted Resolution 9277, fixing and adopting the RTS Charge for the calendar year (CY) 2022. On April 12, 2022, the Board adopted Resolution 9303, fixing and adopting the RTS Charge for CY 2023. The proposed resolution (**Attachment 1**) provides participating member agencies the ability to continue having a portion of their RTS Charge collected by the Standby Charge within their respective service areas for FY 2022/23, which covers a portion of each of the calendar years 2022 and 2023.

Attachment 1 is a form of resolution that, if adopted by the Board, will continue the Standby Charge for FY 2022/23 and includes the Engineer's Report supporting the continuation of the Standby Charge.

The amount of the Standby Charge, per acre or per parcel (if less than an acre), within each of the participating member agencies, has not exceeded the rates set in FY 1993/94 and has been collected within the service areas of 22 of Metropolitan's 26 member agencies that have elected to pay all or a portion of their respective RTS Charge through the Standby Charge since then. Metropolitan proposes to continue the Standby Charge for the coming fiscal year at rates not exceeding the rates set in FY 1993/94. Therefore, no additional statutory procedures are required for approval.

The resolution also authorizes the General Manager to act upon applications for exemption of certain lands from the collection of the Standby Charge in accordance with the terms and conditions for exemption specified in the resolution. In addition, the resolution provides for an appeal process to review and make recommendations to the Board on appeals by property owners who have been denied the exemption, with final determinations to be made by the Board. The exemption criteria are the same as those adopted for prior years and will be subject to specific guidelines set by the General Manager.

Funds collected from the proposed continuation of the Standby Charge will be segregated to ensure that they are used only for the purposes for which the Standby Charge was collected. **Attachment 2** is the Notice to Member Agencies of Proposed Adoption of Readiness-to-Serve Charge and Capacity Charge for Calendar Year 2023 and Continuation of Standby Charge for Fiscal Year 2022/23, sent to member agencies via email on February 11, 2022.

Policy

Metropolitan Water District Act Section 61: Ordinances, Resolutions and Orders

Metropolitan Water District Act Section 133: Fixing of Water Rates

Metropolitan Water District Act Section 134: Adequacy of Water Rates; Uniformity of Rates

Metropolitan Water District Act Section 134.5: Water Standby or Availability of Service Charge

Metropolitan Water District Administrative Code Section 4301(a): Cost of Service and Revenue Requirement

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates

Metropolitan Water District Administrative Code Section 4305: Setting of Charges to Raise Fixed Revenue

Metropolitan Water District Administrative Code Section 4507: Billing and Payment for Water Deliveries

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 52790, dated April 12, 2022, the Board approved the biennial budget for fiscal years 2022/23 and 2023/24 and adopted the resolution fixing and adopting a Readiness-to-Serve Charge for CY 2023.

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, the proposed action is not subject to CEQA because it involves 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 of CEQA Guidelines). Finally, where it can be seen with certainty that there is no possibility that the proposed actions may have a significant impact on the environment, those actions are not subject to CEQA pursuant to Section 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the resolution to continue the Standby Charge for fiscal year 2022/23.

Fiscal Impact: Collect \$44.0 million (approximately) through the continuation of the Standby Charge in fiscal year 2022/23 that would be applied towards the RTS Charge obligation of the participating member agencies.

Business Analysis: This option involves the collection of charges that result in fixed revenues of \$44.0 million (approximately) to pay all or a portion of the RTS Charge of participating member agencies, which is done at the option of the participating member agencies.

Option #2


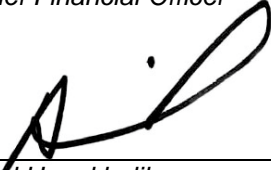
Do not adopt the resolution to continue the Standby Charge for fiscal year 2022/23, which would require the participating member agencies to pay the full RTS Charge directly to Metropolitan, rather than having a portion collected through the Standby Charge.

Fiscal Impact: Metropolitan member agencies would pay the full RTS Charge directly to Metropolitan, including the \$44.0 million (approximately) that would have been collected in FY 2022/23 through the continuation of the Standby Charge.

Business Analysis: This option would require the collection of \$44.0 million (approximately) not approved to be collected through the Standby Charge to be collected through the full RTS Charge.

Staff Recommendation

Option #1

	5/2/2022
Katano Kasaine	Date
Assistant General Manager/ Chief Financial Officer	
	5/3/2022
Adel Hagekhalil	Date
General Manager	

Attachment 1 – Resolution of The Board of Directors of The Metropolitan Water District of Southern California Continuing the Water Standby Charge for Fiscal Year 2022/23

Attachment 2 – Notice to Member Agencies of Public Hearing for Proposed Rates for Calendar Years 2023 and 2024, and Charges for Calendar Year 2023, to Meet the Revenue Requirements for Fiscal Years 2022/23 and 2023/24

Ref# cfo12689078

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA CONTINUING THE
WATER STANDBY CHARGE FOR FISCAL YEAR
2022/23**

The Board of Directors of The Metropolitan Water District of Southern California (the "Board"), hereby finds that:

1. At its meeting on April 13, 2021, the Board adopted Resolution 9277, "Resolution of the Board of Directors of The Metropolitan Water District of Southern California Fixing and Adopting a Readiness-to-Serve Charge Effective January 1, 2022;"
2. At its meeting on April 12, 2022, the Board adopted Resolution 9303, "Resolution of the Board of Directors of The Metropolitan Water District of Southern California Fixing and Adopting a Readiness- to-Serve- Charge Effective January 1, 2023;"
3. Certain member public agencies ("member agencies") of Metropolitan have elected to pay all or a portion of their Readiness-to-Serve ("RTS") Charge obligation through the continuance of the Metropolitan water standby charge ("Standby Charge") collected from parcels within those member agencies;
4. Metropolitan is willing to comply with the requests of member agencies opting to have Metropolitan continue to collect the Standby Charge within their respective territories, on the terms and subject to the conditions contained herein;
5. Section 134.5 of the Metropolitan Water District Act authorizes the Board to collect a service charge from member agencies or, as an alternative, to collect a service charge as a standby charge against individual parcels within the district;
6. Metropolitan first established the Standby Charge in 1992, pursuant to the procedures authorized by Section 134.5 of the Metropolitan Water District Act and the Uniform Standby Charge Procedures Act ("USCPA"), Sections 54984-54984.9, inclusive, of the Government Code;
7. The Standby Charge has not exceeded the rates set in fiscal year 1993/94, and in fiscal year 1995/96 was reduced to \$0.00 for the member agencies electing not to have any portion of their RTS Charge obligation collected through the Standby Charge;
8. The Standby Charge is not subject to the procedures set forth in Article XIII D, Section 4 of the California Constitution effective July 1, 1997 (Proposition 218), as the Standby Charge has not exceeded the rates set in fiscal year 1993/94, has not exceeded the amount of the Standby Charge existing in fiscal year 1996/97 when Proposition 218 became effective, and the proceeds of the Standby Charge are used for purposes specified in Section 5 of Article XIII D; and
9. The particular charge, per acre or per parcel, applicable to land within each member agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report dated April 2022, supporting the RTS Charge and Standby Charge option (the "Engineer's Report"), which is attached hereto and on file with the Board Executive Secretary of Metropolitan; and
10. Written notice of the intention of Metropolitan's Board to consider and take action at its regular meeting of May 10, 2022, to continue the Standby Charge for fiscal year 2022/23 was given to each of Metropolitan's member agencies.

11. 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 the Board of Directors of Metropolitan, pursuant to the Engineer's Report, finds that lands within Metropolitan are benefited as described in such report and on that basis, hereby continues its Standby Charge for fiscal year 2022/23 on lands within requesting member agencies of Metropolitan to which water is made available for any purpose, whether water is actually used or not, as specified in the Engineer's Report.

Section 2. That the rates of such Standby Charge, per acre of land, or per parcel of land less than an acre, as shown in the Engineer's Report, may vary by member agency, and shall not exceed the amount of the fiscal year 1996/97 Standby Charge for the member agency. The Standby Charge applicable to each electing member agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report which was prepared by a registered professional engineer certified by the state of California, which methodology is in accordance with Section 134.5 of the Metropolitan Water District Act and reflects the range of costs provided in Metropolitan's Fiscal Years 2022/23 and 2023/24 Cost of Service Report for Proposed Rates and Charges.

Section 3. That the Standby Charge, per acre of land, or per parcel of land less than an acre, applicable to land within each electing member agency as allocated in the Engineer's Report shall be as follows for fiscal year 2022/23:

2022/23 Water Standby Charge

<u>Member Agency</u>	<u>Amount</u>
Anaheim	\$8.55
Beverly Hills	—
Burbank	14.20
Calleguas MWD	9.58
Central Basin MWD	10.44
Inland Empire Utilities Agency	7.59
Coastal MWD*	11.60
Compton	2.49
Eastern MWD	6.94
Foothill MWD	10.28
Fullerton	10.71
Glendale	12.23
Las Virgenes MWD	8.03
Long Beach	12.16
Los Angeles	—
MWD of Orange Co.**	10.09
Pasadena	11.73
San Diego CWA	11.51
San Fernando	0.00
San Marino	8.24
Santa Ana	7.88
Santa Monica	—
Three Valleys MWD	12.21
Torrance	12.23
Upper San Gabriel Valley MWD	9.27
West Basin MWD	—
Western MWD of Riverside Co.	9.23

* Applicable to parcels included within territory of former Coastal MWD.

** Exclusive of parcels included within territory of former Coastal MWD.

Section 4. That the Standby Charge shall continue to be collected on the tax rolls, together with the *ad valorem* property taxes that are levied by Metropolitan for the payment of pre-1978 voter-approved indebtedness. The amounts of the Standby Charge are continued at amounts that are not estimated to exceed a member agency's RTS Charge obligation. However, any amounts collected shall be applied as a credit against the applicable member agency's RTS Charge obligation. After such member agency's RTS Charge allocation is fully satisfied, any additional collections shall be credited to other outstanding obligations of such member agency to Metropolitan that funds the capital costs or maintenance and operation expenses for Metropolitan's water system, or future RTS Charge obligations of such agency. Any member agency requesting to have all or a portion of its RTS Charge obligation collected through the Standby Charge levies within its territory as provided herein shall pay any portion not collected through net Standby Charge collections to Metropolitan within fifty (50) days after Metropolitan issues an invoice for the remaining RTS Charge obligations for such member agency, as provided in Administrative Code Section 4507.

Section 5. That the following exemption procedures apply:

(a) It is the intent of the Board that the following lands shall be exempt from the Standby Charge:

(1) lands owned by the Government of the United States, the state of California, or by any political subdivision thereof or any entity of local government; (2) lands permanently committed to open space and maintained in their natural state that are not now and will not in the future be supplied water; (3) lands not included in (1) or (2) above, which the General Manager, in his discretion, finds do not now and cannot reasonably be expected to derive a benefit from the projects to which the proceeds of the Standby Charge will be applied; and (4) lands within any member public agency, subagency, or city if the governing body of such public entity elects and commits to pay out of funds available for that purpose, in installments at the time and in the amounts established by Metropolitan, the entire amount of the Standby Charge which would otherwise be collected from lands within those public entities. However, no exemption from the Standby Charge shall reduce the applicable member agency's RTS Charge obligation. The General Manager may develop and implement additional criteria and guidelines for exemptions in order to effectuate the intent expressed herein.

(b) The General Manager shall establish and make available to interested applicants procedures for filing and consideration of applications for exemption from the Standby Charge pursuant to subsections (2) and (3) of Section 5(a) above. All applications for such exemption and documents supporting such claims must be received by Metropolitan in writing on or before December 31, 2022. The General Manager is further directed to review any such applications for exemption submitted in a timely manner to determine whether the lands to which they pertain are eligible for such exemption and to allow or disallow such applications based upon those guidelines. The General Manager shall also establish reasonable procedures for the filing and timing of the appeals from his determination. The procedures will be on file and available for review by interested parties at Metropolitan's headquarters.

(c) The Finance and Insurance Committee of Metropolitan's Board of Directors shall hear appeals from determinations by the General Manager to deny or qualify an application for exemption from the Standby Charge. The Finance and Insurance Committee shall consider such appeals and make recommendations to the Board to affirm or reverse the General Manager's determinations. The Board shall act upon such recommendations, and its decision as to such appeals shall be final.

Section 6. That no exemption from the Standby Charge shall reduce the applicable member agency's RTS Charge obligation, nor shall any failure to collect, or any delay in collecting, any Standby Charge excuse or delay payment of any portion of the RTS Charge when due.

Section 7. That the RTS Charge is collected by Metropolitan as a rate, fee or charge from its member agencies, and is not a fee or charge imposed upon real property or upon persons as incidents of property ownership, and the Standby Charge is collected within the respective territories of electing member agencies as a mechanism for collection of the RTS Charge. In the event that the Standby Charge, any portion thereof, or the collection of the Standby Charge, 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 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 Standby Charge, then no further Standby Charge shall be

collected within any member agency and each member agency which has requested the continuation of the Metropolitan Standby Charge as a means of collecting its RTS Charge obligation shall pay such RTS Charge obligation in full, as if such Standby Charge had never been sought.

Section 8. That the General Manager is hereby authorized and directed to take all necessary action to secure the collection of the Standby Charge by the appropriate county officials, including payment of the reasonable cost of collection.

Section 9. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 10. That if any provision of this Resolution or the application to any member agency, property or person whatsoever is held invalid, that invalidity shall not affect other provisions or applications of this Resolution which can be given effect without the invalid portion or application, and to that end the provisions of this Resolution are severable.

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 May 10, 2022.

Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California

**NOTICE TO MEMBER AGENCIES OF PUBLIC HEARING FOR PROPOSED
RATES FOR CALENDAR YEARS 2023 AND 2024, AND CHARGES FOR
CALENDAR YEAR 2023, TO MEET THE REVENUE REQUIREMENTS FOR
FISCAL YEARS 2022/23 AND
2023/24**

Notice is hereby given to each member public agency of The Metropolitan Water District of Southern California ("Metropolitan") that at its regular meeting to be held March 8, 2022 (or such other date as the Board shall hold its regular meeting in such month), Metropolitan's Finance & Insurance ("F&I") Committee will hold a public hearing at 12:00 p.m., broadcast on the Internet through Metropolitan's website, www.mwdh2o.com, before Metropolitan's Board of Directors at which interested parties may present their views regarding the proposed rates for Calendar Years ("CY") 2023 and 2024, and charges for CY 2023, to meet the revenue requirements for Fiscal Years ("FY") 2022/23 and 2023/24. The Board authorized that the public hearing also be combined to address the review of the applicability of the MWD Act Section 124.5 ad valorem property tax limitation for FYs 2022/23 through 2025/26.

Notice is hereby given to each member public agency of Metropolitan that at its regular meeting to be held April 12, 2022 (or such other date as the Board shall hold its regular meeting in such month), Metropolitan's Board of Directors will consider whether to adopt the proposed Biennial Budget for FY 2022/23 and FY 2023/24, water rates for CYs 2023 and 2024, and charges for CY 2023, including the readiness-to-serve charge and capacity charge, to meet the revenue requirements for FYs 2022/23 and 2023/24, and the recommendation regarding the applicability of MWD Act Section 124.5 ad valorem tax limitation for fiscal years 2022/23 through 2025/26.

The schedule for presentation of these proposals is as follows:

F&I Committee: present Biennial Budget, water rates, and charges; Workshop #1	February 7, 2022
F&I Committee: Workshop #2	February 22, 2022
F&I Committee: Workshop #3	March 7, 2022
Board: Public Hearing on proposed water rates and charges and applicability of the tax rate limit pursuant to Section 124.5 of the MWD Act	March 8, 2022
F&I Committee: Workshop #4, if needed	March 22, 2023
F&I Committee: Workshop #5, if needed	April 11, 2022
Board <u>Action</u> regarding Biennial Budget, rates and charges, and applicability of Section 124.5 ad valorem tax limit	April 12, 2022

The Board reserves the right to make changes to the proposed Biennial Budget, proposed rates and charges, or Section 124.5 recommendation as a result of comments received at the public hearing.

Notice is also hereby given to each member public agency of Metropolitan that at its regular meeting to be held May 10, 2022 (or such other date as the Board shall hold its regular meeting in such month), the Board will consider whether to adopt the General Manager's recommendation to continue Metropolitan's water standby charge for FY 2022/23 on land within the service area of participating member agencies at the same rates, per acre of land, or per parcel of land less than an acre, as presently in effect.

Any such water standby charge will be continued as a means of paying for the readiness-to-serve charge obligation of member agencies that previously elected to collect the standby charge.

Information about the proposed FYs 2022/23 and 2023/24 Biennial Budget, proposed rates and charges effective January 1, 2023 and January 1, 2024 to meet the revenue requirements for FYs 2022/23 and 2023/24, and the review of the applicability of Section 124.5 for FYs 2022/23 through 2025/26 is available at www.mwdh2o.com and may also be requested from the Board Executive Secretary at (213) 217- 6291.

Dated: February 11, 2022

A handwritten signature in blue ink, appearing to read "Katano Kasaine".

Katano Kasaine
Assistant General Manager/Chief Financial Officer

PROOF OF SERVICE

[illegible]

I am employed in the County of Los Angeles, State of California. I am over the age of 18 years and am employed by The Metropolitan Water District of Southern California; my business address is 700 North Alameda Street, Los Angeles, California 90012.

On February 11, 2022, I served the foregoing document described as:

NOTICE TO MEMBER AGENCIES OF PUBLIC HEARING FOR PROPOSED RATES FOR
CALENDAR YEARS 2023 AND 2024, AND CHARGES FOR CALENDAR YEAR 2023, TO
MEET THE REVENUE REQUIRMENTS FOR FISCAL YEARS 2022/23 AND 2023/24

on the Metropolitan member public agencies via electronic mail (email) to the following email addresses:

alexr@centralbasin.org; tgoff@calleguas.com; chris.garner@lbwater.org;
martin.adams@ladwp.com; dnguyen@comptoncity.org; cbilezerian@torranceca.gov;
cmiller@wmwd.com; dpedersen@lvmwd.com; edwardc@westbasin.org;
garry.hofer@amwater.com; Jkightlinger@cityofpasadena.net; mouawadj@emwd.org;
jhess@burbankca.gov; mmarlowe@cityofsanmarino.org; MBaumgardner@sfcity.org;
mlitchfield@tvmwd.com; mmcwade@cityoffullerton.com; MDeGhetto@GlendaleCA.GOV;
mrmoore@anaheim.net; mjouhari@anaheim.net; nsaba@santa-ana.org; nina.jaz@fmwd.com;
rhunter@mwdoc.com; ddenham@sdewa.org; skerl@sdewa.org; sepstein@beverlyhills.org;
sdeshmukh@ieua.org; sunny.wang@smgov.net; tom@usgvmwd.org

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on February 11, 2022, at Los Angeles, California.

Mya Ros
Mya Ros