

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION _____

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
FIXING AND ADOPTING
A CAPACITY CHARGE
EFFECTIVE JANUARY 1, 2015**

WHEREAS, the Board of Directors (“Board”) of The Metropolitan Water District of Southern California (“Metropolitan”), pursuant to Sections 133, 134 and 134.5 of the Metropolitan Water District Act (the “Act”), is authorized to fix such rate or rates for water as will result in revenue which, together with revenue from any water standby or availability of service charge or assessment, will pay the operating expenses of Metropolitan, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by Metropolitan, and provide for the payment of the interest and principal of its bonded debt; and

WHEREAS, the capacity charge is a fixed fee imposed (on a dollar per cubic-foot-per-second basis) on member agencies on the amount of capacity used by such member agency and is designed to recover the cost of providing peaking capacity within the distribution system; and

WHEREAS, on February 10, 2014, the General Manager presented to the Finance and Insurance Committee of Metropolitan’s Board his proposed biennial budget for fiscal years 2014/15 and 2015/16, determination of total revenues and of revenues to be derived from water sales and firm revenue sources required during the fiscal years 2014/15 and 2015/16, and detailed reports for each fiscal year describing each of the proposed rates and charges and the supporting cost of service process, dated April 2014, that (i) describe the rate structure process and design, (ii) identify revenue requirements; (iii) show the costs of major service functions that Metropolitan provides to its member agencies, (iv) classify these service functions costs based on the use of and benefit from the Metropolitan system to create a logical nexus between the costs and the revenues required from each of the rates and charges, and (v) set forth the rates and charges necessary to defray such costs; and

WHEREAS, the Metropolitan Board conducted a public hearing on its proposed rates and charges for 2015 and 2016 at its regular meeting on March 11, 2014, at which interested parties were given the opportunity to present their views regarding the proposed rates and charges; and

WHEREAS, notice of the public hearing on the proposed rates and charges was published prior to the hearing in various newspapers of general circulation within Metropolitan's service area; and

WHEREAS, based on the feedback received from board workshops held on February 25, 2014, and at the Finance and Insurance Committee on February 10 and March 10, 2014, the General Manager presented three alternative recommendations for rates and charges on March 11, 2014, with proposed cost reductions to accommodate the Board's request for lower rate increases; and

WHEREAS, updated cost of service reports, dated April 2014, for the three options included in the General Manager's recommendations for rates and charges were presented to the Board on April 8, 2014; and

WHEREAS, on April 8, 2014, the board considered the three alternative recommendations for rates and charges, approved the biennial budget for fiscal years 2014/15 and 2015/16 and adopted recommended water rates and charges for 2015 and 2016; and

WHEREAS, in adopting the rates and charges adopted on April 8, 2014, the Board determined the amount of revenue to be raised by the capacity charge in 2015 to be based on a capacity charge in such year of the amount per cubic-foot-per-second shown in Section 6 below for the rate option selected by the Board; and

WHEREAS, each of the meetings of the Board were conducted in accordance with the Brown Act (commencing at Section 54950 of the Government Code), for which due notice was provided and at which quorums were present and acting throughout; and

WHEREAS, the amount of revenue to be raised by the capacity charge shall be as determined by the Board and allocation of such charges among member public agencies shall be in accordance with the method established by the Board; and

WHEREAS, the capacity charge is a charge imposed by Metropolitan upon its member agencies, and is not a fee or charge imposed upon real property or upon persons as an incident of property ownership; and

WHEREAS, Metropolitan has legal authority to impose the capacity charge as a water rate pursuant to Sections 133 and 134 of the Metropolitan Water District Act (the "Act"); and

WHEREAS, under authority of Sections 133 and 134 of the Act, the Board has the authority to fix the rate or rates for water as will result in revenue which, together with other revenues, will pay Metropolitan's operating expenses and provide for the payment of other costs, including payment of the interest and principal of Metropolitan's non-tax funded debt; and

WHEREAS, the capacity charge is intended to recover the debt service and other appropriately allocated costs to construct, operate and maintain projects needed to meet peak demands on Metropolitan's distribution system, as shown in the Report; and

WHEREAS, in the alternative, under Section 134.5 of the Metropolitan Water District Act, an availability of service charge may be collected from the member public agencies within 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 the Board of Directors of Metropolitan hereby fixes and adopts a capacity charge, as described below, to be effective January 1, 2015.

Section 2. That the capacity charge shall be in an amount sufficient to provide for payment of the capital financing costs not paid from *ad valorem* property taxes, as well as operations, maintenance and overhead costs incurred to provide peaking capacity within Metropolitan's distribution system.

Section 3. That such capacity charge effective January 1, 2015 shall be a water rate as specified in Section 6 (set in dollars per cubic-foot-per-second of the peak day capacity) for the rate option selected by the Board for capacity provided to a member agency.

Section 4. That in the alternative, and without duplication, the capacity charge shall be an availability of service charge pursuant to Section 134.5 of the Act.

Section 5. That the capacity charge specified in Table 1 does not exceed the reasonable and necessary cost of providing the service for which the charge is made and is fairly apportioned to each member agency in proportion to the peak day capacity utilized by each member agency. Accordingly, the Board finds and determines that the capacity charge is a reasonable fee charged according to the burden on or benefit from the use of capacity of Metropolitan's distribution system.

Section 6. That the capacity charge shall be a fixed charge as shown in the following table for the rate option selected by the Board and collected from each member agency monthly, quarterly or semiannually as agreed to by Metropolitan and the member agency.

Table 1

Option 1: Calendar Year 2015 Capacity Charge

AGENCY	Peak Day Demand (cfs) (May 1 through September 30)				Rate (\$/cfs): \$11,100
	Calendar Year				Calendar Year 2015 Capacity Charge
	2011	2012	2013	3-Year Peak	
Anaheim	39.3	38.3	31.3	39.3	\$436,230
Beverly Hills	31.5	32.7	30.8	32.7	\$362,970
Burbank	21.4	20.9	19.7	21.4	\$237,540
Calleguas	210.1	224.0	228.7	228.7	\$2,538,570
Central Basin	79.2	74.5	73.6	79.2	\$879,120
Compton	2.4	2.3	2.9	2.9	\$32,190
Eastern	190.9	238.1	267.4	267.4	\$2,968,140
Foothill	19.0	17.6	18.9	19.0	\$210,900
Fullerton	27.4	24.4	20.0	27.4	\$304,140
Glendale	49.0	41.5	44.9	49.0	\$543,900
Inland Empire	138.0	126.7	153.9	153.9	\$1,708,290
Las Virgenes	43.4	41.9	43.2	43.4	\$481,740
Long Beach	59.9	60.4	66.9	66.9	\$742,590
Los Angeles	329.0	512.9	767.1	767.1	\$8,514,810
MWDOC	390.1	401.1	381.9	401.1	\$4,452,210
Pasadena	50.6	52.1	52.5	52.5	\$582,750
San Diego CWA	760.7	961.5	967.4	967.4	\$10,738,140
San Fernando	1.6	2.8	4.9	4.9	\$54,390
San Marino	1.3	5.3	6.1	6.1	\$67,710
Santa Ana	20.0	19.2	19.6	20.0	\$222,000
Santa Monica	21.1	19.7	22.7	22.7	\$251,970
Three Valleys	122.7	133.0	178.6	178.6	\$1,982,460
Torrance	35.5	36.2	34.1	36.2	\$401,820
Upper San Gabriel	20.4	15.2	16.1	20.4	\$226,440
West Basin	214.6	222.6	230.2	230.2	\$2,555,220
Western MWD	179.3	193.5	198.6	198.6	\$2,204,460
Total	3,058.4	3,518.5	3,882.0	3,937.0	\$43,700,700

Totals may not foot due to rounding

Table 1

Option 2: Calendar Year 2015 Capacity Charge

AGENCY	Peak Day Demand (cfs) (May 1 through September 30)				Rate (\$/cfs): \$10,900
	Calendar Year				Calendar Year 2015 Capacity Charge
	2011	2012	2013	3-Year Peak	
Anaheim	39.3	38.3	31.3	39.3	\$428,370
Beverly Hills	31.5	32.7	30.8	32.7	\$356,430
Burbank	21.4	20.9	19.7	21.4	\$233,260
Calleguas	210.1	224.0	228.7	228.7	\$2,492,830
Central Basin	79.2	74.5	73.6	79.2	\$863,280
Compton	2.4	2.3	2.9	2.9	\$31,610
Eastern	190.9	237.2	267.4	267.4	\$2,914,660
Foothill	19.0	17.6	18.9	19.0	\$207,100
Fullerton	27.4	24.4	20.0	27.4	\$298,660
Glendale	49.0	41.5	44.9	49.0	\$534,100
Inland Empire	138.0	126.7	153.9	153.9	\$1,677,510
Las Virgenes	43.4	41.9	43.2	43.4	\$473,060
Long Beach	59.9	60.4	66.9	66.9	\$729,210
Los Angeles	329.0	512.9	767.1	767.1	\$8,361,390
MWDOC	390.1	401.1	381.9	401.1	\$4,371,990
Pasadena	50.6	52.1	52.5	52.5	\$572,250
San Diego CWA	760.7	961.5	967.4	967.4	\$10,544,660
San Fernando	1.6	2.8	4.9	4.9	\$53,410
San Marino	1.3	5.3	6.1	6.1	\$66,490
Santa Ana	20.0	19.2	19.6	20.0	\$218,000
Santa Monica	21.1	19.7	22.7	22.7	\$247,430
Three Valleys	122.7	133.0	178.6	178.6	\$1,946,740
Torrance	35.5	36.2	34.1	36.2	\$394,580
Upper San Gabriel	20.4	15.2	16.1	20.4	\$222,360
West Basin	214.6	222.6	230.2	230.2	\$2,509,180
Western MWD	179.3	193.7	198.6	198.6	\$2,164,740
Total	3,058.4	3,517.8	3,882.0	3,937.0	\$42,913,300

Totals may not foot due to rounding

Table 1

Option 3: Calendar Year 2015 Capacity Charge

AGENCY	Peak Day Demand (cfs) (May 1 through September 30)				Rate (\$/cfs): \$11,000
	Calendar Year				Calendar Year 2015 Capacity Charge
	2011	2012	2013	3-Year Peak	
Anaheim	39.3	38.3	31.3	39.3	\$432,300
Beverly Hills	31.5	32.7	30.8	32.7	\$359,700
Burbank	21.4	20.9	19.7	21.4	\$235,400
Calleguas	210.1	224.0	228.7	228.7	\$2,515,700
Central Basin	79.2	74.5	73.6	79.2	\$871,200
Compton	2.4	2.3	2.9	2.9	\$31,900
Eastern	190.9	237.2	267.4	267.4	\$2,941,400
Foothill	19.0	17.6	18.9	19.0	\$209,000
Fullerton	27.4	24.4	20.0	27.4	\$301,400
Glendale	49.0	41.5	44.9	49.0	\$539,000
Inland Empire	138.0	126.7	153.9	153.9	\$1,692,900
Las Virgenes	43.4	41.9	43.2	43.4	\$477,400
Long Beach	59.9	60.4	66.9	66.9	\$735,900
Los Angeles	329.0	512.9	767.1	767.1	\$8,438,100
MWDOC	390.1	401.1	381.9	401.1	\$4,412,100
Pasadena	50.6	52.1	52.5	52.5	\$577,500
San Diego CWA	760.7	961.5	967.4	967.4	\$10,641,400
San Fernando	1.6	2.8	4.9	4.9	\$53,900
San Marino	1.3	5.3	6.1	6.1	\$67,100
Santa Ana	20.0	19.2	19.6	20.0	\$220,000
Santa Monica	21.1	19.7	22.7	22.7	\$249,700
Three Valleys	122.7	133.0	178.6	178.6	\$1,964,600
Torrance	35.5	36.2	34.1	36.2	\$398,200
Upper San Gabriel	20.4	15.2	16.1	20.4	\$224,400
West Basin	214.6	222.6	230.2	230.2	\$2,532,200
Western MWD	179.3	193.7	198.6	198.6	\$2,184,600
Total	3,058.4	3,517.8	3,882.0	3,937.0	\$43,307,000

Totals may not foot due to rounding

Section 7. That the capacity charge for each member public agency, the method of its calculation, cost allocations and other data used in its determination are as specified in the General Manager's recommendation on rates and charges to be effective January 1, 2015, and the corresponding cost of service report. Such recommendation and cost of service report are on file and available for review by interested parties at Metropolitan's headquarters.

Section 8. 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 9. That this Board finds that the proposed capacity charge 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 CEQA Guidelines).

Section 10. That the General Manager is hereby authorized and directed to take all necessary action to satisfy relevant statutes requiring notice by publication.

Section 11. That the Board Executive Secretary is hereby directed to transmit a certified copy of this Resolution to the presiding officer of the governing body of each member public agency.

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 April 8, 2014.

Board Executive Secretary
The Metropolitan Water District
of Southern California