



**ENGINEER'S REPORT
PROPOSED STANDBY CHARGES
FISCAL YEAR 2011/2012**

**Prepared By:
Datastream Business Solutions, Inc.
April 28, 2011**

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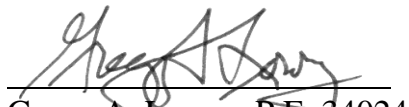
Board of Directors
Calleguas Municipal Water District
2100 Olsen Road
Thousand Oaks, CA 91360-6800

RE: Engineer's Report for Fiscal Year 2011/2012 Standby Charges
Using the Uniform Standby Charge Procedures Act

Members of the Board:

In response to the Board of Directors' request for the preparation of an engineer's report pursuant to the provisions of Chapter 12.4, entitled "Uniform Standby Charge Procedures Act," being Part 1 of Division 2 under Title 5 (Local Agencies), of the Government Code of the State of California, I, Gregg A. Lowry, Principal in the firm of Datastream Business Solutions, Inc., the appointed Engineer, submit herewith the report for proposed renewal of standby charges for FY 2011/2012 including: a description of the charge, the method by which the charge will be levied, a compilation by assessor parcel number of the amount of the charge proposed for each parcel subject to the charge, and the methodology and rationale followed in determining the degree of benefit conferred by the service for which the charge is made.

DATED this 28th day of April, 2011.



Gregg A. Lowry, P.E. 34024
Engineer of Work

**CALLEGUAS MUNICIPAL WATER DISTRICT
ENGINEER'S REPORT
PROPOSED STANDBY CHARGE
FISCAL YEAR 11/12**

I. PURPOSE AND BACKGROUND

Pursuant to action of the Board of Directors of the Calleguas Municipal Water District (Calleguas), Datastream Business Solutions, Inc. has been retained to prepare a detailed report outlining the renewal of standby charges for Fiscal Year 11/12 (FY 11/12). Calleguas proposes to continue its comprehensive water management program of planning and construction of new local projects. The primary objective of this program is to maximize the use of local resources. This strategy will reduce the region's dependence on interruptible imported supplies, thereby enhancing water supply reliability. In some water management forums, this strategy is also referred to as drought proofing. Based on this objective, Calleguas is committed to constructing facilities supporting recycling and groundwater recovery as well as local groundwater storage. Furthermore, Calleguas is faced with many complex challenges to meet the water needs of the community. One challenge is the need to secure funds for the construction of essential capital improvement projects at the same time as funding the cost of operating and maintaining an aging water system.

II. ENGINEER'S REPORT PURPOSE

The purpose of this report is twofold: (1) to evaluate the impact of Calleguas' water management plan and capital improvement program (CIP) on its financial future, and (2) to develop the calculations, formulas, and benefits to be assessed using the "Uniform Standby Charge Procedures Act" (Act) as described in Government Code Section 54984 et seq. This Act is available to Calleguas because, as a water purveyor, it is authorized to collect standby/availability charges in connection with the provision of water service. This report will cover the following topics:

1. Calleguas' Current Water Management Program
2. Capital Improvements
3. Analysis of Costs
4. Analysis of Revenue
5. Proposed **Renewal** of Standby Charges for FY 11/12
6. Exemptions
7. Recommendations

III. WATER MANAGEMENT PROGRAM

Calleguas is a member of Metropolitan Water District of Southern California (Metropolitan), a 27-member agency serving the counties of San Diego, Los Angeles, Orange, Ventura, Riverside, and San Bernardino. Metropolitan imports water from Northern California via the State Water Project (SWP) and from the Colorado River via the Colorado Aqueduct. Located at the northwestern extreme of Metropolitan's service area, Calleguas is particularly dependent on deliveries from the SWP and vulnerable to interruptions of SWP operations. The SWP is an extensive network of reservoirs and conveyance facilities designed to provide water to urban and agricultural regions throughout much of the State. Since the project remains incomplete, existing facilities are not capable of routinely delivering the planned four million plus acre-feet of water per year (af/yr) as was originally contracted for by Metropolitan and other SWP contractors.

Although efforts are underway to resolve the many environmental and economic issues that have plagued the Sacramento/San Joaquin Delta for years, the future reliability of this source remains uncertain. SWP water reaches southern California through a labyrinth of environmental concerns and competing needs for water. As such, it is subject to further regulation and dedication to other uses. State budget constraints are worsening and ongoing debate among stakeholders continues to delay resolution of Bay Delta issues. In 2008, the California Department of Fish and Game issued a new Biological Opinion on the Delta Smelt, a federally protected species, which triggered a reduction in pumping to SWP contractors. Pumping restrictions may continue in spite of greatly improved water levels in major Northern California reservoirs. In addition, Delta levy integrity is a growing worry and has decreased confidence in the long-term reliability of the SWP. Given the incomplete status of the SWP, environmental-based limitations of Delta supplies and the adverse effect that drought can have on supplies available to the SWP, the need for Calleguas to further develop local sources has grown more urgent.

Moreover, significant events have occurred over the last several years that will alter the future operation and sources of water for MWD's Colorado River Aqueduct. In recent years, Arizona and Nevada have increased their diversions of water from the Colorado River. This trend is expected to continue. If surplus and/or unused water is not available in future years, the amount of Colorado River water available to MWD could be reduced.

Increasing demands from the Lower Basin states (Arizona, California, and Nevada), as well as the growing uneasiness among Upper Basin states (Colorado, New Mexico, Utah, and Wyoming) together with California's reliance on surplus water from the Colorado River, have prompted the development of a plan (the "California Plan") to reduce California's use of Colorado River water to 4.4 million af/yr over fifteen years.

Despite reductions in firm Colorado River supplies, MWD has indicated that it expects to be able to meet member agencies' water requirements. However, shifting public policy with respect to imported water supplies underscores the importance of investment in local reclamation, storage, and water conservation projects.

As demonstrated by the earthquake of 1994, water conveyance facilities are vulnerable to seismic damage. Calleguas has since completed a number of projects to improve the seismic stability of its system. More projects to enhance reliability are underway.

Southern California water officials continue to be faced with the challenge of providing an adequate long-term supply of quality water for their service areas. Suspect reliability of imported water, combined with the present and previous droughts in Southern California, has heightened public awareness of the need to conserve water and develop new local water sources. During Fiscal Years 2010 and 2011 Metropolitan implemented its Water Supply Allocation Plan, imposing allocations on its member agencies. Consumer behavior will play a key role as conservation gains greater importance in water resource planning.

IV. CAPITAL IMPROVEMENTS

Storage

Calleguas' strategic plan calls for the creation and periodic update of a Capital Improvement Plan (CIP) to satisfy the above needs. One of Calleguas' goals is to develop both short- and long-term storage within the lower aquifers of the Las Posas Basin to reduce dependence on imported water supplies. Water stored in the basin is used to assist Calleguas in meeting regional water demands when imported water supplies are curtailed for routine maintenance or in the case of an emergency. While Calleguas maintains a surface water reservoir as well as numerous storage tanks throughout its service area, during peak demand periods, these supplies would be depleted in a matter of weeks. For this reason, Calleguas developed the Las Posas Basin Aquifer Storage and Recovery Project. Largely completed, this project has been constructed in phases and is expected to be fully complete by 2014.

Recycled Water and Groundwater Recovery

Both recycled water and groundwater recovery programs are proven alternative sources of water. Water recycling uses time-tested as well as newly evolving technologies to treat and disinfect wastewater to a level acceptable and safe for many non-potable applications. As much of this wastewater is currently discharged into the ocean, water recycling provides an excellent opportunity to conserve and reuse this valuable natural resource. Water recycling is strongly encouraged by the State of California and local elected officials and has gained acceptance by the general public

as well. Groundwater recovery involves the treatment of poor quality groundwater through utilization of a reverse osmosis process or other filtration method to remove salts and other contaminants. Numerous groundwater recovery facilities are in various stages of planning and once in operation promise to reduce the region's reliance on imported water.

Calleguas is working closely with local agencies to implement many water supply development projects throughout the region. Historically, Calleguas has either directly implemented or been a financial participant in many programs. Three projects, the Oak Park/North Ranch Recycled Water, the Simi Valley Pilot Recycled Water Project and the Conejo Creek Diversion Project, have been completed. In addition, Calleguas is constructing the Calleguas Regional Salinity Management Pipeline, which is designed to help manage high salinity water use and disposal. The \$220 million project will collect and transport treated brine concentrates from groundwater desalting and, to a lesser degree, surplus recycled water, to an ocean outfall or downstream beneficial uses. Construction is underway on the initial reach of the pipeline and an ocean outfall. In 2011, the first phase of the project will be operational. Completion of the entire project is expected to occur within the next ten years. When in place, Calleguas' local water management projects will greatly enhance supply reliability for over 600,000 Ventura County residents.

Master Plan

Calleguas' long-range planning includes a program of improvement projects to ensure a reliable, safe, and adequate water supply for the service area. The CIP was updated in January 2009 and lists current capital projects.

V. ANALYSIS OF COSTS

The draft budget in the Appendix for FY 11/12 shows that the District's projected General Operating and Construction Funds' expenses for the year are approximately \$155,000,000. These expenses include increases due to inflation, CIP and charges from the Metropolitan Water District of Southern California (Calleguas' wholesale water supplier).

VI. ANALYSIS OF REVENUES

Long Range Financial Plan

The goal of Calleguas' Long Range Financial Plan is to provide an adequate and stable cash flow to fund the current and future planned programs while equitably allocating the costs of the facilities among existing and future users. Calleguas' revenue mix includes ad valorem property tax revenues, water sales, interest on investments, capital construction charges, and hydroelectric power sales. Beginning in fiscal year 92/93, the State began diverting a portion of the District's ad valorem property tax distribution to augment State revenues. In fiscal years 93/94 through 10/11, water standby charges were adopted by the Calleguas Board of Directors to help offset the loss of tax revenues.

Augmentation of Revenue Sources

The District continues to operate in a fiscally sound manner. In order to carry out its strategic plan of improving the reliability of the area's water supplies, alternate revenue sources must be employed to fund increasingly sophisticated and expensive water projects. As an alternate revenue source, the standby charge, also known and referred to as an assessment, is a viable means of recognizing the benefit of imported water availability to all current and future users and spreading costs over all users. Use of the County's annual property tax bill as a means of levying and collecting the standby charge is a cost-effective method of billing. Since the standby charge is independent of 1) drought, 2) available water supplies, and 3) the economy, it is a more stable form of revenue than water sales or capital construction charges. Revenue from standby charges reinforces the District's ability to meet its financial obligations under varying conditions and, in turn, should result in increased borrowing efficiencies, lower interest rates, and other indirect cost savings.

Equity and Fairness

The goals of equity and fairness dictate that whoever receives benefits should pay their proportionate share of the costs of those benefits. Future and existing users receive benefits from Calleguas' water management from the current Capital Improvement Plan. The CIP consists of projects necessary to meet the water needs of both existing and future users. Projects required to meet the demands of growth (new demands) are also funded by Capital Construction Charges, which are imposed as a condition of development. Capital Construction Charges are paid by developers during the approval process which is administered by the various municipal planning departments within the Calleguas service area. In contrast, those facilities benefiting existing users have been financed by the District's share of the *1% property tax revenues*, and the capital construction component of the District's water rate. Standby Charges are assessed on all land in Calleguas' service area; both present users and parcels potentially benefiting from the availability of imported water.

VII. RENEWAL OF PROPOSED STANDBY CHARGES FY 11/12

Section 54984.1 of the Act states "*. . . Any charges imposed under this chapter are deemed to be assessments . . .*" Section 54984.2 further states "*. . . The governing body of the agency which fixes the charge may establish schedules varying the charge according to land uses, benefit derived or to be derived from the use or availability of facilities to provide water . . . or the degree of availability or quantity of the use of the water . . . The charge may be imposed on an area, frontage or parcel basis or a combination thereof.*" Section 54984.3 further requires "*...that the report of a qualified engineer is on file...*" which states the report must include:

- 1) A description of the charge and the method by which it will be imposed.
- 2) A compilation of the amount of the charge proposed for each parcel subject to the charge.
- 3) A statement of the methodology and rationale followed in determining the degree of benefit conferred by the service for which the charge is made.
- 4) Schedules of charges (delineated in Government Code 54984.2).

Determination of Degree of Benefit

The Act provides Calleguas with a considerable amount of flexibility in selecting which costs of its proposed FY 11/12 program should be allocated for recovery by means of the standby charge.

For purposes of this report, the County of Ventura's assessor use code has been used to establish the level of benefit received from Calleguas' Water Management Program. Two levels are proposed for the FY 11/12 Standby Charge analysis: base level and variable level.

In general terms, base level of benefit is defined as the benefit that the property receives from inclusion within the service area of an imported water purveyor, i.e., Calleguas and Metropolitan. Variable level, however, is defined as the benefit received from both availability of a meter connection and water usage. The following matrix portrays the concept:

LEVEL OF BENEFIT ALLOCATION MATRIX

✓ = Property Benefits From Programs

LAND USE	UNDEVELOPED (1)		IMPROVED (2)	
	BASE	VARIABLE	BASE	VARIABLE
Residential	✓		✓	✓
Industrial	✓		✓	✓
Utility	✓		✓	✓
Commercial	✓		✓	✓
Recreational	✓		✓	✓
Pasture Or Range	✓		✓	✓
Undeveloped Unused	✓		✓	✓

(1) Undeveloped defined as property which lies fallow and is generally left in its natural state.

(2) Improved defined as developed use of land with or without use of imported water.

For FY 11/12, Calleguas has determined that all properties within the service area derive a base level of benefit from its water management and capital improvement programs.

Method of Imposition

For FY 11/12, the proposed method and formula are the same as for FY 10/11. In order to recover the \$1.4 million allocated to standby charges in the proposed budget, standby charges are proposed to be levied on an area basis with one acre being the minimum area size (*at the same rates and in the same manner as in previous fiscal years*). A model was developed using a \$5 per acre and \$5 per parcel for parcels less than an acre other than high-density parcels (based on the County of Ventura Land Use Code). For high-density parcels, a variable charge based on land use code is proposed which ranges from \$5 to \$50 per acre (*at the same rates and in the same manner as in previous fiscal years*). The Appendix includes a list of high-density use codes and proposed charges per parcel or acre (for parcels that are more than 1 acre in area). The following table portrays the allocation of the revenue requirement:

TABLE - ALLOCATION OF BENEFIT / COST

<u>Standby Category</u>	<u>Benefiting Units</u>
A - Acres in parcels greater than 1 acre other than high density (Rounded)	95,896
B - Parcels less than 1 acre other than high density (Rounded)	164,120
C - High Density parcels (Rounded) (Units based on Land Use Code)	22,884
Total Benefiting Units (Rounded)	282,900
Revenue Required (Approximate)	\$1,414,506
Standby Charge/Unit (Rounded)	\$5.00

Proposed Standby Charge \$5.00 per parcel or acre in Categories A & B.

Proposed Standby Charge \$5 - \$50 per parcel or acre in Category C.

Compilation of Charges

Incorporated herein by reference is a report in an electronic file provided in portable document format (pdf). This report, entitled "Calleguas Municipal Water District – 2011/2012 Proposed Assessments Report," is a listing of all parcels in the service area including assessor parcel number, owner name, acreage, and proposed charges.

VIII. EXEMPTIONS

Since extenuating conditions may exist such that a property cannot or will not benefit, the *continuation* of Calleguas Board of Directors' current policy to grant either an exemption or a deferral from standby charges is recommended. Exemptions would apply to the following categories of land:

Category 1 Lands owned by the government of the United States, the State of California, or by a political subdivision thereof, or any unit of local government;

Category 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 with water; or

Category 3 Lands not included in either of the categories above which the Board of Directors, in its discretion, finds do not now, and cannot reasonably be expected to, derive a benefit from the projects to which the proceeds of the water standby charge will be applied.

If the property falls under Category 1 and was previously granted an exemption, continuation of the exemption is recommended. If a property owner desires to seek a full or partial exemption under Category 2 or 3, then it is recommended that the owner be required to submit an application for exemption including full particulars to Calleguas. A sample application is included in the Appendix. If a property owner is undecided as to the eligibility for exemption, it is recommended that the owner apply for a deferral instead of an exemption. In order that the agreements between property owners and Calleguas are properly recognized, recordation with the County of Ventura is recommended.

In accordance with previous policy, the property owner has up to two years from the date of adoption of standby charges to apply for exemption from the charges for a given year.

APPENDIX

**Calleguas Municipal Water District
Proposed Water Standby Charges FY 11/12
Multi-Unit Charges**

Use Code	Description	or Parcel
1150	5-9 Living Units-Apartments	\$25.00
1160	10 or more Living Units-Apartments	\$50.00
1200	Group Quarters	\$5.00
1210	Duplex	\$10.00
1222	2 SFRs on 1 parcel	\$10.00
1300	Residential & Apartment Hotels	\$5.00
1310	Triplex	\$15.00
1321	3 Family Dwellings, 1 SFR + Duplex	\$15.00
1333	3 SFRs on 1 parcel	\$15.00
1400	Mobile Home Park	\$20.00
1410	Quadplex	\$20.00
1420	4 Family Dwellings, 2 Duplex	\$20.00
1421	4 Family Dwellings, 1 Triplex & 1 S	\$20.00
1432	4 Family Dwellings, 1 Duplex & 2 S	\$20.00
1444	4 Family Dwellings	\$20.00
1511	Hotel	\$50.00
1512	Motel	\$50.00
1513	B&B/Transient Lodging	\$50.00

**Calleguas MWD Cash Flow Pro Forma
Engineer's Report FY 11/12 – Proposed Renewal of Standby Charges**

		FY 2011/12
Pro-Forma General Fund Budget		
0	Beginning Balance (Projected)	\$ 6,000,000
Revenues	1 Water Sales - M & I Tier 1 Rate	89,000,000
	2 Water Sales - Reclaimed	1,200,000
	3 Tax Revenues	5,900,000
	4 Readiness to Serve Charge from Purveyors	4,900,000
	5 Capacity Reservation Charge	4,100,000
	6 Pumping Charges	1,600,000
	7 Revenue from Imposition of Standby Charges	1,400,000
	8 Interest & Other Income	400,000
	9 Annexation Fees	17,000
	10	Total General Fund Revenues
Expenses		
11	Water Purchase - M & I Tier 1 Rate	70,000,000
12	Water Purchase - Reclaimed	930,000
13	Operating Expenses	19,500,000
14	Bond Interest Expense	9,000,000
15	MWD Readiness to Serve Charge (less MWD Standby Charges)	4,900,000
16	Surcharge on Water - M & I to Construction Fund	4,860,000
17	MWD Capacity Reservation Charge	1,900,000
18	Pumping Power	1,050,000
19	Water Treatment	250,000
20	Total Operating Expenses	\$ 112,390,000
21	Net Decrease in General Fund	(3,873,000)
22	Ending Balance (Projected)	\$ 2,127,000
Pro-Forma Construction Fund Budget		
23	Beginning Balance (Projected)	\$ 5,000,000
SOURCE OF FUNDS	24 Bond Proceeds 2010A/B	25,000,000
	25 Receipt of Capital Contributions	9,000,000
	26 Surcharge on Water - M & I from General Fund	4,860,000
	27 Capital Construction Charge	845,000
	28 Interest	800,000
	29	Total Receipts
USE OF FUNDS		
30	Capital Improvement & Equipment	25,000,000
31	Principal Repayment of District Bonds	17,300,000
32	Total Construction Expenditures	\$ 42,300,000
33	Net Decrease in Construction fund	(1,795,000)
34	Ending Balance (Projected)	\$ 3,205,000

SAMPLE FORM FOR APPLICATION for EXEMPTION

CALLEGUAS MUNICIPAL WATER DISTRICT

REQUEST FOR EXEMPTION FROM 2011-2012 STANDBY CHARGE

PROPERTY OWNER (See Instructions on Reverse)

Name: _____

Phone: _____

Name: _____

Phone: _____

Mailing Address: _____

DESCRIPTION OF PROPERTY:

Assessor's Parcel Numbers:

-0-	-
-0-	-
-0-	-

-0-	-
-0-	-
-0-	-

I/We, owner(s) of the property described above, do hereby apply for exemption from the Calleguas Municipal Water District 2011/2012 Water Standby Charge on the property above for the following reasons:

OPEN SPACE – The property above has been irrevocably dedicated for permanent open space and maintained in its natural state. The following documents are provided to support the exemption request:

NO BENEFIT – The property above will not derive a benefit now or in the future from the projects to which the proceeds of the water standby charge will be applied. (Provide enough information or copies of documents to demonstrate that the property will not benefit.)

I/We, as owners of the above property, acknowledge that if the request for exemption is approved, I/We may be required to execute an agreement with Calleguas Municipal Water District.

Signature

Date: _____

Signature

Date: _____

Calleguas Use Only	
File No.	_____
Reviewed By:	_____
Reviewed By:	_____
Reviewed By:	_____
Approved By:	_____

Instructions for Filing a Request for Exemption from the Calleguas Standby Charge

1. Provide complete names of owners, address and phone numbers where Calleguas should send correspondence, or call to discuss the application.
 2. Provide the Assessor's Parcel Number(s); the ten-digit number appears on your tax bill or post card from the Assessor's Office.
 3. The Calleguas Board of Directors established criteria for exemption from the Standby Charge as follows:
 - a. PUBLIC LANDS: Property owned by Federal, State or other public agencies. Please attach evidence of ownership.
 - b. OPEN SPACE: Property which has been irrevocably dedicated for permanent open space and maintained in a natural state. Attach recorded copy of conservancy easement, land use covenant or other documentation.
 - c. NO BENEFIT: Determination that the property will not derive a benefit now or in the future from the projects to which the proceeds of the water standby charge will be applied. *Example: agricultural land to which public water is not and never will be available.* Explain in the space provided and attach any supporting documentation available.
 4. Sign and date the request
 5. Mail completed request to: Calleguas Municipal Water District
2100 Olsen Road
Thousand Oaks, CA 91360

Attn: Development Projects Administrator
- Information on the form will be checked for completeness and a determination will be made as to whether or not the requested exemption meets the criteria established by the Board.
 - Applicants will be notified of the determination in writing.
 - Denied requests may be appealed.
 - Please allow thirty days for a response from the District.
 - If it is determined that the property qualifies for an exemption, the District's response will include instructions related to further documentation that will be required in order to prepare an exemption agreement.

For assistance in completing this application, please call 800-675-2141.