

EXHIBIT 3

The Metropolitan Water District Act

PREFACE

This volume constitutes an annotated version of the Metropolitan Water District Act, as reenacted by the California State Legislature in 1969 and as amended in 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1978, 1981, 1984, 1985, 1995, 1998, 1999, 2001, and **2004**. Where there is no legislative history given for a section of this act, it is because the section was enacted as part of the nonsubstantive revision of the Metropolitan Water District Act, Statutes 1969, chapter 209. The editorial work was done by the office of the General Counsel of The Metropolitan Water District of Southern California. To facilitate use of the act, catchlines or catchwords enclosed by brackets have been inserted to indicate the nature of the sections which follow. Also, a table of contents has been set at the beginning of the act. Such table of contents and catchlines or catchwords are not a part of the act as enacted by the Legislature. This annotated act will be kept up to date by means of supplemental pages issued each year in which there is a change to the act.

**(Statutes 1969, ch.209, as amended;
West's California Water Code – Appendix Section 109
Deering's California Water Code – Uncodified Act 9129b)**

THE METROPOLITAN WATER DISTRICT ACT

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Part 1. Introductory Provisions

CHAPTER 1

SHORT TITLE

Sec. 1. [Title]

This act shall be known and may be cited as the "Metropolitan Water District Act."

CASE NOTES

The Metropolitan Water District Act is a general law.

City of Pasadena v. Chamberlain, 204 Cal. 653, 658-659, 269 Pac. 630 (1928).

A metropolitan water district is a quasi-municipal corporation and, not being an assessment district, it may impose general taxes without opportunity for hearing as to benefits.

City of Pasadena v. Chamberlain, 204 Cal. 653, 661-664, 269 Pac. 630 (1928).

Metropolitan Water District v. Whitsett, 215 Cal. 400, 407, 10 P.2d 751 (1932).

The Board of Directors of the Metropolitan Water District, as the governing body of such district, may be vested by the Legislature with the power to levy taxes, without infringing Section 13 of Article XI of the California Constitution.

City of Pasadena v. Chamberlain, 204 Cal. 653, 664-666, 269 Pac. 630 (1928).

A metropolitan water district is a public instrumentality of legislative creation and is subject to complete legislative regulation and control, limited only by constitutional restrictions.

Metropolitan Water District v. Whitsett, 215 Cal. 400, 407, 10 P.2d 751 (1932).

The Prevailing Wage Act applies to a metropolitan water district, but does not apply to a city operating under a freeholders' charter, since the construction of public improvements and payment of wages thereon are municipal affairs.

Metropolitan Water District v. Whitsett, 215 Cal. 400, 10 P.2d 751 (1932).

The appointive Board of Directors of the Metropolitan Water District may be vested with power to levy general ad valorem taxes.

In re Metropolitan Water District, 215 Cal. 582, 586, 11 P.2d 1095 (1932).

A metropolitan water district is not an "other public agency" within subsection 6 of section 170 of the Code of Civil Procedure, disqualifying local judges in actions brought by the entities therein named, but such metropolitan

water district is a quasi-municipal corporation within the exception of such general municipal corporations from the disqualifying provisions of said subsection.

Metropolitan Water District v. Superior Court, 2 Cal.2d 4, 6-8, 37 P.2d 1041 (1934).

A metropolitan water district is a municipal corporation within the meaning of Section 1 of Article XIII, California Constitution.

Metropolitan Water District v. County of Riverside, 21 Cal.2d 640, 134 P.2d 249 (1943).

Property of a metropolitan water district located outside of its boundaries which property was subject to taxation at the time it was acquired by the district is taxable by the county in which the property is situated.

Metropolitan Water District v. County of Riverside, 21 Cal.2d 640, 134 P.2d 249 (1943).

CHAPTER 2

DEFINITIONS

Sec. 2. [Definitions Govern]

Unless the context otherwise requires, the definitions of this chapter govern the construction of this act.

Sec. 3. [Metropolitan Water District or District]

"Metropolitan water district" or "district" means a Metropolitan water district incorporated under this act.

Sec. 4. [Board or Board of Directors]

"Board" and "board of directors" mean the directors appointed pursuant to Chapter 1 (commencing with Section 50) of Part 3 of this act.

Sec. 5. [Public Agency]

"Public agency" means any city, municipal water district, municipal utility district, public utility district, county water district, and county water authority.

Sec. 6. [Municipal Water District]

"Municipal water district" means any municipal water district incorporated under the Municipal Water District Act of 1911.

Sec. 7. [Municipal Utility District]

"Municipal utility district" means any municipal utility district incorporated under the Municipal Utility District Act.

Sec. 8. [Public Utility District]

"Public utility district" means any public utility district incorporated under the Public Utility District Act.

Sec. 9. [County Water District]

"County water district" means any county water district incorporated under the County Water District Act.

Sec. 10. [County Water Authority]

"County water authority" means any county water authority incorporated under the County Water Authority Act.

Sec. 11. [City]

"City" means any city, and any city and county, of the State of California, whether organized under a freeholder's charter or under the provisions of general laws.

Sec. 12. [Member Public Agency]

"Member public agency" means any public agency, the area of which, in whole or in part, is included within a metropolitan water district as a separate unit.

Sec. 13. [Chief Executive Officer]

"Chief executive officer" means the mayor of any city and the presiding officer of the governing body of any other public agency.

Added by Stats. 1969, ch. 441.

CASE NOTES

A member of the city council of a constituent city may be appointed director of the metropolitan water district, representing the area of that city, as the two offices are not incompatible.

People v. Carter, 12 Cal. App.2d 105, 110, 54 P.2d 1139 (1936).

The requirement of a city charter that a city councilman shall devote his whole time to the duties of his office does not disqualify him from accepting appointment as director of the Metropolitan Water District.

People v. Carter, 12 Cal. App.2d 105, 111, 54 P.2d 1139 (1936).

The mayor of a constituent city may be appointed by the council as director from that city for the Metropolitan Water District, especially where the city charter does not definitely make the mayor the chief executive officer, but implies that the council itself is the chief executive officer.

People v. Carter, 12 Cal. App.2d 105, 108-109, 54 P.2d 1139 (1936).

CHAPTER 3

GENERAL PROVISIONS

Sec. 15. [Severability of Portions of Act]

If any provision of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remainder of this act. The Legislature hereby declares that it would have passed this act, and each provision of this act, irrespective of the fact that any one or more other provisions of this act be declared unconstitutional.

Sec. 16. [Continuation of Former Act]

The provisions of this act, insofar as they are substantially the same as the provisions of the Metropolitan Water District Act (Chapter 429, Statutes of 1927), shall be construed as restatements and continuations of said act and not as new enactments, it being the intention of the Legislature, by this act, to repeal and reenact the provisions of said act without making any substantive changes therein.

Sec. 17. [Effect on Public Agencies of Inclusion Within District]

The inclusion in a metropolitan water district of the corporate area, in whole or in part, of any public agency shall not destroy the identity or legal existence or impair the powers of any such public agency notwithstanding the identity of purpose, or substantial identity of purpose, of such metropolitan water district.

Sec. 18. [Fiscal Year]

The fiscal year of any metropolitan water district shall commence on the first day of July of each year and shall continue until the close of the 30th day of June of the year following.

Sec. 19. [References Applicable to Amendments]

Whenever reference is made to any portion of this act or of any other law of this state, the reference applies to all amendments and additions heretofore or hereafter made.

Sec. 20. [Section, Article, Chapter, Part]

"Section," "article," "chapter," or "part" means a section, article, chapter, or part of this act, unless some other statute is specifically mentioned.

Sec. 21. [Offices Continued]

All persons who, at the time this act goes into effect, hold office under any of the laws that are repealed by this act, which offices are continued by this act, continue to hold the offices according to their former tenure.

Sec. 22. [Actions or Proceedings Affected by Act]

No action or proceeding which is commenced before this act takes effect, and no right which is accrued, is affected by any provision of this act, but all procedure thereafter taken in such action or proceeding shall conform to the provisions of this act so far as possible.

within the district, and in the case of a public agency within the district, if the plants were located within that agency. No contract shall be entered into pursuant to this subdivision to provide, sell, and deliver water and water service for use within the service area of any agency which has a contract with the State of California for a water supply under the State Water Resources Development System without the prior written consent of that agency and the Director of Water Resources of the State of California.

(c) All water contracted for under this section shall be deemed not to be surplus water available for sale pursuant to Section 132. For purposes of this section the term "public agency" shall mean a county, city, district, local agency, public authority or public corporation.

Amended by Stats. 1974, ch. 929 and Stats. 1984, ch. 271.

Note: Stats. 1974, ch. 929 also provides: 2. It is the intent of the Legislature, recognizing the need to maintain, preserve, conserve and otherwise continue in existence open space lands outside the boundaries of the Metropolitan Water District of Southern California for the production of food and fiber, that in the enactment of this act, the district shall not be empowered, in the exercise of the authority granted by this act, to modify, alter, or affect any priority to water for agricultural purposes outside the district's boundaries, or cause an increase in the district's entitlement to water in excess of that to which the district would be entitled in the absence of such authority.

It is also the intent of the Legislature that nothing in this act either affects existing water rights in the state or gives the Metropolitan Water District of Southern California any additional powers or duties other than the authority to provide, by contract, water outside its boundaries for use in connection with the generation of electric power.

Sec. 132. [Sale of Surplus Water]

(a) A district may provide, sell and deliver surplus water not needed or required for domestic or municipal uses within the district for beneficial purposes, but shall give preference to uses within the district. The supplying of surplus water shall be subject to the paramount right of the district to discontinue that supply in whole or in part, and to take and hold, or to provide, sell and deliver, that water for domestic or municipal uses within the district, upon one year's written notice to the purchaser or user of that surplus water. The notice shall be given by the board whenever the board determines and declares, by resolution adopted by a two-thirds vote, that the water is needed or required for domestic or municipal uses within the district.

(b) For the purposes of this act, any water purchased at the uniform rate or rates established by the district for domestic or municipal uses and used for beneficial purposes with that district shall be deemed to be water for domestic or municipal uses and not surplus water.

Amended by Stats. 1999, ch. 46

Sec. 133. [Fixing of Water Rates]

The board shall fix the rate or rates at which water shall be sold. Such rates, in the discretion of the board, may differ with reference to different sources from which water shall be obtained by the district. The board, under conditions and on terms found and determined by the

board to be equitable, may fix rates for the sale and delivery to member public agencies of water obtained by the district from one source of supply in substitution for water obtained by the district from another and different source of supply, and may charge for such substitute water at the rate fixed for the water for which it is so substituted.

Sec. 134. [Adequacy of Water Rates; Uniformity of Rates]

The Board, so far as practicable, shall fix such rate or rates for water as will result in revenue which, together with revenue from any water stand-by or availability service charge or assessment, will pay the operating expenses of the district, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by the district, and provide for the payment of the interest and principal of the bonded debt subject to the applicable provisions of this act authorizing the issuance and retirement of the bonds. Those rates, subject to the provisions of this chapter, shall be uniform for like classes of service throughout the district.

Amended by Stats. 1984, ch. 271

Sec. 134.5. [Water Standby or Availability of Service Charge]

(a) The board may, from time to time, impose a water standby or availability service charge within a district. The amount of revenue to be raised by the service charge shall be as determined by the board.

(b) Allocation of the service charge among member public agencies shall be in accordance with a method established by ordinance or resolution of the board. Factors that may be considered include, but are not limited to, historical water deliveries by a district; projected water service demands by member public agencies of a district; contracted water service demands by member public agencies of a district; service connection capacity; acreage; property parcels; population, and assessed valuation, or a combination thereof.

(c) The service charge may be collected from the member public agencies of a district. As an alternative, a district may impose a service charge as a standby charge against individual parcels within the district.

In implementing this alternative, a district may exercise the powers of a county water district under Section 31031 of the Water Code, except that, notwithstanding Section 31031 of the Water Code, a district may (1) raise the standby charge rate above ten dollars (\$10) per year by a majority vote of the board, and (2) after taking into account the factors specified in subdivision (b), fix different standby charge rates for parcels situated within different member public agencies.

(d) Before imposing or changing any water standby or availability service charge pursuant to this section, a district shall give written notice to each member public agency not less than 45 days prior to final adoption of the imposition or change.

(e) As an alternative to the two methods set forth in subdivision (c), a district, at the option of its board, may convert the charge to a benefit assessment to be levied pursuant to Sections 134.6 to 134.9, inclusive.

Added by Stats. 1984, ch. 271.

Sec. 134.6. [Benefit Assessment General Authority]

(a) The board may by ordinance or resolution, adopted after notice and public hearing, determine and propose for adoption, subject to the approval of the voters as provided in subdivision (e), an annual water standby or availability assessment on each parcel of real property within the jurisdiction of each member public agency of the district, except that the board shall not impose an assessment upon a federal or state governmental agency or another local agency.

(b) The board may establish zones or areas of benefit within the district or within its member public agencies and may restrict the imposition of the assessments to areas lying within one or more of the zones or areas of benefit established within the district or within its member public agencies.

(c) The benefit assessment shall be levied on a parcel, class of improvement to property, or use of property basis, or a combination thereof, within the boundaries of the district, member public agency, zone, or area of benefit.

(d) The assessment may be levied against any parcel, improvement, or use of property to which water service, through a member public agency, may be made available, directly or indirectly, whether or not that service is actually used.

(e) An ordinance or resolution adopted pursuant to subdivision (a) shall be submitted to the eligible voters within the district and shall take effect upon approval of the proposition by a majority of the voters voting on the proposition. The election shall be held and conducted substantially in accordance with Article 2 (commencing with Section 210) of Chapter 1 of Part 5.

Added by Stats. 1984, ch. 271.

Sec. 134.7. [Benefit Assessment Hearing]

(a) For the first fiscal year in which a benefit assessment is proposed to be levied pursuant to this act, the board shall cause a written report to be prepared and filed with the executive secretary of the district which shall contain all of the following information:

(1) A description of the service proposed to be financed through the revenue derived from the assessment.

(2) A description of each lot or parcel of property proposed to be subject to the benefit assessment. The assessor's parcel number shall be a sufficient description of the parcel.

(3) The amount of the proposed assessment for each parcel.

(4) The basis and schedule of the assessment.

(b) The executive secretary shall cause notice of the filing of the report and of a time, date, and place of hearing thereon to be published pursuant to Section 6066 of the Government Code and posted in at least one public place within the jurisdiction of each affected member public agency.

(c) At the hearing the board shall hear and consider all protests. At the conclusion of the hearing, the board may adopt, revise, change, reduce, or modify the proposed assessment. The board shall make a determination upon the assessment, as described in the report or as determined at the hearing, and shall, by ordinance or resolution, determine the proposed assessment.

Added by Stats. 1984, ch. 271.

Sec. 134.8. [Benefit Assessment Collection]

(a) The board may provide for the collection of the assessment in the same manner, and subject to the same penalties and priority of lien, as other charges and taxes fixed by and collected on behalf of the district, except that if for the first year the assessment is levied the real property on which the assessment is levied has been transferred or conveyed to a bona fide purchaser for value, or if a lien of a bona fide encumbrancer for value has been created and attaches thereon, prior to the date on which the first installment of county taxes would become delinquent, the confirmed assessment shall not result in a lien against the real property but shall be transferred to the unsecured roll.

(b) If the assessments are collected by the county, the county may deduct its reasonable costs incurred for the service before remittal of the balance to the treasury of the district.

Added by Stats. 1984, ch. 271.

Sec. 134.9. [Benefit Assessment -- Other Laws Available]

In levying benefit assessments pursuant to Section 134.6, the board may use any of the provisions of the Benefit Assessment Act of 1982 (Chapter 6.1 (commencing with Section

54701) of Part1 of Division 2 of Title 5 of the Government Code), the Improvement Act of 1911 (Division 7 (commencing with Section 5000) of the Streets and Highways Code), or the Municipal Improvement Act of 1913 (Division 12 (commencing with Section 10000) of the Streets and Highways Code) as a means for imposing and collecting the assessments.

Added by Stats. 1984, ch. 271.

Sec. 135. [Preferential Right to Purchase Water]

Each member public agency shall have a preferential right to purchase from the district for distribution by such agency, or any public utility therein empowered by such agency for the purposes, for domestic and municipal uses within the agency a portion of the water served by the district which shall, from time to time, bear the same ratio to all of the water supply of the district as the total accumulation of amounts paid by such agency to the district on tax assessments and otherwise, excepting purchase of water, toward the capital cost and operating expense of the district's works shall bear to the total payments received by the district on account of tax assessments and otherwise, excepting purchase of water, toward such capital cost and operating expense.

Sec. 136. [Service of State Water; Blending]

A district which has a contract with the state for a water supply from the State Water Resources Development System and also has an additional source of water for supplying member public agencies, shall serve as large an area as is determined by the district to be reasonable and practical with water from such system, and where a blend of the waters from such different sources is to be served, it shall be the objective of the district that, to the extent determined by such district to be reasonable and practical, not less than 50 percent of such blended water shall be water from the State Water Resources Development System.

Added by Stats. 1974, ch. 86.

THE METROPOLITAN WATER DISTRICT ACT

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