

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

November 24, 1992

To: Board of Directors (Water Problems Committee--Action)
 (Finance and Insurance Committee--Information)

From: General Manager

Subject: Local Projects Program Negotiations with Las Virgenes
 Municipal Water District and South Coast Water District

Report

Metropolitan entered into Joint Participation Agreements with South Coast Water District (SCWD) and Las Virgenes Municipal Water District (LVMWD) in 1982 and 1983, respectively, for inclusion of the South Laguna Reclamation Project and Las Virgenes Reclamation Project in the Local Projects Program (LPP). Under the original LPP, Metropolitan contributed \$2.555 million to SCWD for entitlement to 42,950 acre-feet of reclaimed water to be produced over 52 years and \$7.343 million to LVMWD for entitlement to 54,000 acre-feet of reclaimed water to be produced over 23 years. As part of the agreement, Metropolitan sells the reclaimed water produced by these two projects to SCWD (through Coastal Municipal Water District) and LVMWD, respectively, at the reclaimed water rate, currently set at \$84 per acre-foot. To date, SCCWD has paid Metropolitan about \$450,000 and LVMWD has paid about \$1,500,000.

In light of the proposed increase to Metropolitan's reclaimed water rate, Metropolitan has been approached by both SCWD and LVMWD to discuss "buy out" of their existing LPP obligations. Several meetings have been held by staff representing Metropolitan, SCWD, and LVMWD to discuss the available "buy out" options. These negotiation meetings have resulted in preliminary agreements on two proposals.

These two proposals were developed based on a comparison of the present worth of Metropolitan's original LPP contribution and Metropolitan's financial support if the projects were in the present LPP program, with consideration given to the merits of the two subject projects in providing permanent local water supplies within Metropolitan's service area. Staff considers the following "buy out" options as beneficial to all parties involved.

1. For SCWD:

A payment of about \$1.5 million would be made to Metropolitan in January 1993 which would result in termination of SCWD's original LPP obligations. A new LPP agreement would be negotiated whereby Metropolitan would deem SCWD eligible for payments based on future increases in the LPP contribution (above the current rate of \$154 per acre-foot) for about 10 years beginning in January 1993. To receive future increases, SCWD would need to demonstrate a need for the increased LPP contribution and guarantee production of an annual amount of reclaimed water. This requirement is a provision in all of our LPP agreements.

2. For LVMWD:

A payment of about \$3.0 million would be made to Metropolitan in January 1993 which would result in termination of LVMWD's original LPP obligations. A new LPP agreement would be negotiated whereby Metropolitan would deem LVMWD eligible for payments based on future increases in the LPP contribution (above the current rate of \$154 per acre-foot) for 10 years beginning in January 1993. To receive future increases, LVMWD would need to demonstrate a need for the increased LPP contribution and guarantee production of an annual amount of reclaimed water.

At a meeting held on November 19, 1992, LVMWD indicated that they found the terms presented above to be acceptable. Results of final negotiations with SCWD over these proposed terms will be reported to you at the next Board meeting.

The proposed action is exempt from the provisions of the California Environmental Quality Act because it can have no possible significant effect on the environment.

Board Committee Assignments

This letter is referred to:

The Water Problems Committee for action pursuant to its authority to determine conditions governing sales and exchanges of water under Administrative Code Section 2481(c) and policies regarding water reclamation and the use thereof under Administrative Code Section 2481(i).

The Finance and Insurance Committee for information pursuant to its authority to determine revenues to be obtained through sales of water under Administrative Code Section 2441(e).

Recommendations

**WATER PROBLEMS COMMITTEE FOR ACTION AND FINANCE AND
INSURANCE COMMITTEE FOR INFORMATION**

That the Board authorize the General Manager to terminate the existing Local Projects Program (LPP) agreements with South Coast Water District (SCWD) and Las Virgenes Municipal Water District (LVMWD), respectively, and enter new agreements under the terms and conditions as set forth in this letter, such agreements to be in form approved by General Counsel.



Carl Boronkay

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