

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

March 30, 1993

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

From: General Manager

Subject: Suspension of the Effective Date of the New Reclaimed Water
Rate to July 1, 1993

Report

The reclaimed water rate directly affects only the first two projects in the Local Projects Program (LPP). These two projects, the South Laguna Reclamation Project and the Las Virgenes Reclamation Project, were approved by your Board prior to 1986 when Metropolitan adopted its current LPP. Under the original LPP, Metropolitan contributed \$2.555 million to the South Laguna Reclamation Project for an entitlement to 42,950 acre-feet of reclaimed water to be produced over 52 years and \$7.343 million to the Las Virgenes Reclamation Project for an entitlement of 54,000 acre-feet of reclaimed water to be produced over 23 years. In turn, Metropolitan sells the reclaimed water produced by these projects back to the South Coast Water District (SCWD) through Coastal Municipal Water District and Las Virgenes Municipal Water District (LVMWD), respectively, at the reclaimed water rate. Thus, the reclaimed water rate provides a means by which SCWD and LVMWD partially repay Metropolitan for its initial investment. To date, SCWD and LVMWD have paid Metropolitan about \$450,000 and \$1,500,000, respectively.

In December 1992, your Board approved an increase of the reclaimed water rate from \$84 per acre-foot to \$113 per acre-foot effective April 1, 1993. Since that time, staff has finalized negotiations with SCWD and LVMWD to terminate their existing LPP agreements and execute new agreements to "buy out" their existing obligations. LVMWD intends to use existing funds to pay Metropolitan \$3.0 million in April 1993 which would result in termination of LVMWD's original LPP obligation. The SCWD intends to issue a bond in June 1993 in order to pay Metropolitan \$1.5 million which would result in termination of SCWD's original LPP obligation.

As part of the negotiations for the new agreements, both LVMWD and SCWD intended to make their respective LPP "payments" to Metropolitan by April 1, 1993, and avoid making any payments to Metropolitan under the new reclaimed water rate.

However, due to unforeseen delays experienced by SCWD in its issuance of the bond to pay its obligation to Metropolitan, SCWD will not be able to make its payment to Metropolitan by April 1, 1993. Based on progress made thus far in issuing its bond, SCWD expects to make its payment by July 1, 1993. As a result, staff is requesting that the Board suspend the new reclaimed rate to July 1, 1993. Reclaimed water purchased between April 1, 1993 and the date of the Board action on this letter has been sold at the new rate.

Since a Public Hearing was held during the Water Problems Committee's December meeting for the new reclaimed water rate to be effective April 1, 1993, it has been determined that another Public Hearing is not necessary for the suspension of the new reclaimed water rate to July 1, 1993.

This action is exempt from the provisions of the California Environmental Quality Act upon the Board's finding that the rate increase is necessary to meet operating and other ongoing expenses as stated in Attachment A.

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 & 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.

1. That the Board find that the rate increase is exempt from the California Environmental Quality Act because it is necessary to meet operating expenses and other ongoing expenses as stated in Attachment A.

2. That the Board suspend the effective date of the new reclaimed water rate of \$113 per acre-foot to July 1, 1993.

for Carl Boronkay
Carl Boronkay

JIL:bvf

Attachment

ATTACHMENT A

FINDINGS OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

The Board finds that the new reclaimed water rate as set forth in the General Manager's letter to the Board dated November 24, 1992 is for the purposes of meeting operating expenses, including employee wage rates and fringe benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; and obtaining funds for capital projects necessary to maintain service within existing service areas. For these reasons, the Board finds that its action taken pursuant to the above letter is statutorily exempt from the provisions of the California Environmental Quality Act.