

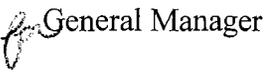
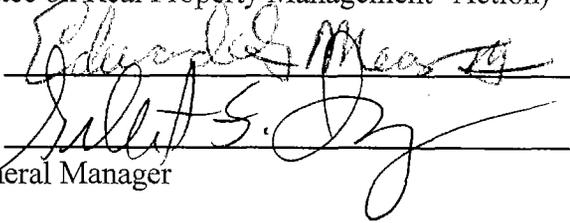


MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

8-7

October 28, 1997

To: Board of Directors (Special Committee on Real Property Management--Action)
From:  General Manager
Submitted by: Gilbert F. Ivey
Senior Executive Assistant to the General Manager

Subject: Instructions Regarding Use of Proceeds from Bolsa Chica Properties Sale

RECOMMENDATION(S)

It is recommended that the Board instruct staff to:

1. Continue retaining the proceeds of the Bolsa Chica Properties sale in a trust fund for up to one year from the date of Board of Directors action on this item;
2. Apply the proceeds, plus interest accrued thereon, to purchase substitute coastal property, subject to final Board approval; and
3. Return to the Board of Directors for further instruction if such proceeds have not been expended within one year from the date of Board of Directors action on this item.

EXECUTIVE SUMMARY

In May 1996, your Board approved the sale of approximately 58 acres of land at Bolsa Chica to two private development firms and authorized staff to acquire substitute coastal property with the proceeds. If the proceeds were not expended within one year of receipt, staff was to return to the Board for instructions regarding the use of such proceeds.

In September, 1996, Metropolitan received about \$11.2 million from the transaction. An interest-bearing trust fund was established with the proceeds and the fund has a current balance of approximately \$11.9 million.

Staff is presently evaluating a number of possible substitute coastal properties. However, since no land purchase was completed by the anniversary date of the receipt of proceeds, staff is requesting an additional year to expend the funds. The proceeds would remain in trust and continue to earn interest during the acquisition effort. In the event that the proceeds and interest have not been utilized within one year from the date of Board action on this request, staff will return to the Board for further instructions.

DETAILED REPORT

In 1974, Metropolitan purchased approximately 83 acres of land at Bolsa Chica in Orange County. In January 1990, the Board of Directors declared the property surplus and authorized its sale. In May 1996, after an initial sales attempt failed and the property was subject to a new California Coastal Commission local coastal program, your Board approved the sale of approximately 58 acres of land at Bolsa Chica to two private development firms. Pursuant to that authorization the staff was to acquire substitute coastal property with the proceeds. If the proceeds were not expended within one year of receipt, staff was to return to the Board for further instructions. Metropolitan received \$11,241,929.40 in net proceeds from the transaction on September 20, 1996. The Bolsa Chica Properties Trust Fund, an interest-bearing fund, was established with the proceeds and the fund has a current balance of approximately \$11.9 million.

The remaining 25 acres of property was donated to the Bolsa Chica Land Trust in November, 1996. This acreage will ultimately be preserved as wetlands as part of the state's Bolsa Chica Ecological Reserve.

Staff is presently evaluating 12 separate properties for possible purchase. To do the detailed analysis, review, and make the determination of appropriateness as substitute coastal property before recommending purchase to your Board will require a number of months. It is expected that the entire process will be completed within the next 12 months.

Since no land purchase was completed by the anniversary date of the receipt of proceeds, staff is requesting an additional year to expend the funds. The proceeds would remain in trust and continue to earn interest during the acquisition effort. In the event that the proceeds and interest have not been utilized within one year from the date of Board action on this request, staff will return to the Board for further instructions.