

- **Board of Directors**
Executive Committee

July 11, 2000 Board Meeting

8-9

Subject

Consolidation of Municipal Water District of Orange County and Coastal Municipal Water District.

Description

The Municipal Water District of Orange County (“MWDOC”) and the Coastal Municipal Water District (“Coastal”) applied to the Orange County Local Agency Formation Commission (“LAFCO”) in 1997 for the consolidation of MWDOC and Coastal into a single district. LAFCO approved the application, and the districts will be consolidated effective January 17, 2001.

In order to efficiently transition to the newly consolidated district, MWDOC will assume the obligations for processing all water billing functions for Coastal and make all payments due to Metropolitan during the period commencing July 1, 2000, to January 17, 2001. During such period, Metropolitan will directly bill MWDOC for Coastal water rates and charges (excluding the readiness-to-serve charge, which shall be allocated between Coastal and MWDOC under a separate memorandum of understanding) due Metropolitan, and MWDOC will assume all responsibility for all billing, collection and payment of wholesale water rates and charges for water delivered from Metropolitan through Coastal connections to retail water agencies within Coastal service areas. The terms of the joint water billing and payment effort are contained in the Memorandum of Understanding Regarding Interim Assumption of Obligations for Billing, Collection, and Payment for Water Service (the “MOU”) among MWDOC, Coastal and Metropolitan. The MOU is attached hereto as **Attachment 1**. The implementation of the MOU is subject to the equalization of the wholesale water rates and charges by the Coastal Board of Directors to those of MWDOC. In the event the Coastal Board of Directors fails to equalize water rates and charges, the terms of this MOU will not be implemented. Both the Coastal and MWDOC boards approved the MOU on June 7, 2000.

The proposed consolidation is exempt from the provision of the California Environment Quality Act because it involves the consolidation of two districts with identical powers.

Policy

The General Manager is authorized to determine the terms and conditions upon which membership to Metropolitan is maintained.

Board Options/Fiscal Impacts

Option #1

Approve the joint billing and authorize the General Manager to execute the MOU.

Fiscal Impact: None.

Option #2


Do not approve joint billing and form of MOU.

Fiscal Impact: None.

Staff Recommendation

Option #1.

 General Counsel	6/23/2000 Date
---	-------------------

 General Manager	6/27/2000 Date
---	-------------------

Attachment 1

BLA344

**MEMORANDUM OF UNDERSTANDING
REGARDING INTERIM ASSUMPTION OF OBLIGATIONS FOR
BILLING, COLLECTION, AND PAYMENT FOR WATER SERVICE**

This MEMORANDUM OF UNDERSTANDING (“MOU”), dated as of July 1, 2000, is made and entered into by and between MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (“MWDOC”), COASTAL MUNICIPAL WATER DISTRICT (“Coastal”), and THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA (“Metropolitan”).

RECITALS

- A. The Metropolitan Water District of Southern California is authorized to sell imported water within its service area.
- B. MWDOC and Coastal, as member agencies of Metropolitan, are entitled to purchase water imported by Metropolitan and sell that imported water on a wholesale basis to numerous retail water agencies in Orange County.
- C. To provide wholesale water services for the combined benefit of the Coastal and MWDOC service areas, Coastal and MWDOC applied to the Orange County Local Agency Formation Commission (“LAFCO”) in 1997 for the consolidation of MWDOC and Coastal into one consolidated district. The application was approved and the two Districts will be consolidated into one district effective as of January 17, 2001. The new district shall retain the name “Municipal Water District of Orange County”.
- D. MWDOC and Coastal have embarked upon several efforts to provide for a smooth transition from the existing Districts to the newly consolidated district. Foremost among these efforts was the decision to assign existing MWDOC staff the responsibility for (1) processing all water billing functions for Coastal concurrent with the start of the upcoming fiscal year on July 1, 2000, and (2) making all payments due to Metropolitan for services provided by Metropolitan to Coastal from July 1, 2000 to January 17, 2001 (the effective date of the consolidation).
- E. The parties hereto desire to facilitate that joint water billing effort, while at the same time ensuring Metropolitan’s right to receive payment of all existing rates and charges that would otherwise be separately due and payable from Coastal and MWDOC.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promise and covenants herein contained, MWDOC, Coastal, and Metropolitan do agree as follows:

1. **Purpose of the MOU.** The purpose of this MOU is to facilitate the consolidation of MWDOC and Coastal by initiating a joint water billing effort as described in the Recitals above. At the same time, the parties want to ensure Metropolitan’s right to receive timely payment from MWDOC of all applicable rates and charges that would otherwise be separately due and payable from Coastal and MWDOC.

2. **Effective Date.** It is contemplated by the parties that MWDOC’s assumption of the billing collection and payment functions provided herein shall commence at the beginning of the fiscal

year 2000-01, for water delivered on or after July 1, 2000, and that MWDOC shall continue to perform said functions through the date upon which the consolidation becomes effective on January 17, 2001. Subject to the conditions set forth herein, therefore, the effective date shall be July 1, 2000, or such later date upon which the conditions have been met (the "Effective Date").

3. **Wholesale Water Rates and Other Charges.** As a part of the transition plan for consolidation of MWDOC and Coastal, the Boards of Directors of each agency has agreed to a schedule of rate and fee adjustments which will equalize the wholesale water rates and other charges levied by MWDOC and Coastal in phases so that, upon the consolidation, all retail agencies within the consolidated agency will pay an equal rate for wholesale water and other charges. (Because a portion of Metropolitan's Readiness-to-Serve Charge ("RTS") is collected by Metropolitan as a parcel charge, the allocation of the RTS charge among the MWDOC and Coastal agencies will be addressed separately.) Under the proposed schedule of adjustments, Coastal will have equalized its wholesale water rate and other charges with MWDOC not later than July 1, 2000. Ultimately, however, the adjustment of rates is within the sound discretion of the Coastal Board of Directors. The implementation of this MOU with respect to the performance of billing, collection, and payment functions by MWDOC is subject to the equalization of the wholesale water rates and other charges by the Coastal Board of Directors. If, for any reason, such rates and charges have not been equalized by July 1, 2000 (with the exception of the RTS charge), the commencement of MWDOC's obligations hereunder (Effective Date) shall be delayed until such rates and charges are equalized and the equalized rate schedule becomes effective.

4. **MWDOC's Billing Functions.** MWDOC shall assume responsibility for and shall perform billing and collection of wholesale water rates and other charges for water delivered from Metropolitan through Coastal connections to retail water agencies within Coastal's service area, on and after the Effective Date. MWDOC shall be responsible for billing and collection of any other applicable fees and charges under Coastal's water service policies due and payable from retail water agencies within Coastal. MWDOC shall perform any and all necessary meter reading, adjustment, allocation of losses, and other functions incidental to the billing and collection functions in the same manner as it does in the MWDOC service area (with the exception that the RTS charge may be allocated differently between MWDOC's and Coastal's service areas), and payment by the Coastal retail agencies to MWDOC shall be subject to the same payment terms and late charges as provided under MWDOC's rules and regulations for MWDOC's service area.

5. **Separate Accounting for Coastal Water Revenues.** From the Effective Date until the consolidation of MWDOC and Coastal, MWDOC shall receive and deposit payments for wholesale water service within Coastal's service area ("Coastal Water Revenues") and shall separately account for said Coastal Water Revenues. Notwithstanding the foregoing, MWDOC may deposit the Coastal Water Revenues into MWDOC's operating account and shall not be required to establish a separate bank account for said funds. MWDOC shall be authorized to utilize the Coastal Water Revenues to pay for water purchases and other fees and charges from Metropolitan attributable to the Coastal service area and for necessary and proper expenses associated with the combined administration and operation services.

6. **Coastal Operating Expenses.** Coastal shall retain its reserves and shall continue to receive payments for wholesale water delivered prior to the Effective Date. Coastal shall be responsible for and shall pay the Metropolitan billing for water delivered prior to the Effective Date and shall continue to pay all salaries, rents, consultants' fees, and other proper expenses of Coastal after the Effective Date and until the Districts are consolidated. It is anticipated that funds available to Coastal from its reserves and from collection of water rates and charges for water served prior to the Effective Date will be sufficient for these purposes. If, for any reason, Coastal requires access to funds from the Coastal Water Revenues held by MWDOC, MWDOC shall, upon written request, transfer the amount

requested up to the balance available in the Coastal Water Revenues account to Coastal. Notwithstanding the foregoing, MWDOC shall not be obligated to transfer to Coastal any funds in the Coastal Water Revenues account necessary to make timely payments to Metropolitan.

7. **Billing and Payment for Metropolitan Water Deliveries.** For the first billing period after the Effective Date, Metropolitan shall send bills for water delivered through Coastal connections and for such other Metropolitan fees and charges which are properly due and payable by Coastal, including, but not limited to, Metropolitan's RTS charge to MWDOC for payment. Upon receipt of a bill from Metropolitan, MWDOC shall make timely payment to Metropolitan for all rates, fees, and charges properly due and owing by Coastal as required by Metropolitan's Administrative Code. MWDOC assumes the obligation to make all payments to Metropolitan for water delivered to connections within the Coastal service area by Metropolitan and for such other fees and charges from and after the first billing period following the Effective Date. The assumption of said obligation by MWDOC and the assignment of the obligation to MWDOC by Coastal shall not relieve Coastal of the obligation to Metropolitan for all water rates and charges, nor shall the assumption by MWDOC of Coastal's obligations relieve MWDOC of the obligation to Metropolitan for all water rates and charges attributable to MWDOC. Nothing herein shall foreclose MWDOC or Coastal from disputing or otherwise challenging any billing statement from Metropolitan or any portion thereof.

8. **Consolidation of Coastal and MWDOC.** This MOU is intended to cover the period between the Effective Date and the consolidation of MWDOC and Coastal on January 17, 2001, at which time the rights and obligations of each agency shall be consolidated into the successor agency, which shall be known as the Municipal Water District of Orange County. Upon consolidation, a close-out audit shall be performed, including an accounting of all monies received and disbursed from the Coastal Water Revenues funds held by MWDOC hereunder. Notwithstanding the foregoing, Coastal may request, and MWDOC shall provide at any time during the term of this MOU, a full accounting of monies received and disbursed under this MOU.

9. **Cooperation.** MWDOC and Coastal each agrees to provide the other with assistance in securing prompt payment of water charges by Coastal's retail water agencies and to ensure that payments to Metropolitan are on a timely basis.

10. **Term.** The term of this MOU shall be until January 17, 2001 or until the date on which MWDOC and Coastal mutually agree to terminate the consolidation pursuant to the terms and conditions approved by LAFCO, whichever occurs first. In addition, either MWDOC or Coastal may unilaterally terminate this MOU if it determines that the other party is not cooperating in good faith to perform its obligations under this MOU, and has not cured said failure to perform within thirty (30) days of a written request to do so. In the event of termination, the party or parties terminating this MOU shall immediately send written notice of the termination to Metropolitan, which notice shall be effective for any billing sent by Metropolitan at least one week after the date of the notice. Thereafter, Metropolitan shall bill Coastal and MWDOC separately to their individual mailing addresses in the same manner as prior to this MOU.

In the event this MOU is terminated before January 17, 2001, MWDOC shall provide an accounting of all Coastal Water Revenues received and disbursed pursuant to this MOU and to the extent there are excess funds in the Coastal Water Revenues account after all proper disbursements have been made or provided for, shall deliver said excess funds to Coastal. In the event the Coastal Water Revenues are not sufficient to cover the proper payments made by MWDOC therefrom, then Coastal shall reimburse MWDOC for the deficiency.

11. **Notices.** All notices required or permitted to be given under this MOU shall be deemed given on the date two days after the notice is deposited in the US Mail addressed to the party to which it is given as follows:

If to Coastal: Coastal Municipal Water District
#3 Monarch Bay Plaza, Suite 205
Dana Point, CA 92629
ATTN: General Manager

If to MWDOC: Municipal Water District of Orange County
P. O. Box 20895
Fountain Valley, CA 92728
ATTN: General Manager

If to Metropolitan: Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012-2944
ATTN: General Manager

12. **Counterparts.** This Memorandum of Understanding may be executed in counterparts each of which may be treated as the original.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Understanding on the day and year hereinafter indicated.

DATED: _____

MUNICIPAL WATER DISTRICT
OF ORANGE COUNTY

By _____
STANLEY E. SPRAGUE
General Manager

APPROVED AS TO FORM:

JANET MORNINGSTAR
General Counsel

DATED: _____

COASTAL MUNICIPAL WATER DISTRICT

By _____
RONALD VAN BLARCOM
General Manager

APPROVED AS TO FORM:

DATED: _____

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

By _____
RONALD R. GASTELUM
General Manager

APPROVED AS TO FORM:

N. GREGORY TAYLOR
General Counsel