



- Board of Directors
Finance and Insurance Committee

11/5/2019 Board Meeting

8-1

Subject

Approve closing the Water Desalination Trust Fund and transfer balance to unrestricted reserves; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The Water Desalination Trust Fund (Trust Fund) holds proceeds from the sale of vacant lands at Bolsa Chica and Ormond Beach. Following the sale of the Bolsa Chica Site, the Trust Fund was designated by the Board to hold the proceeds from the sale for the purchase of replacement property for future desalination facilities. Metropolitan subsequently partnered with the City of Oxnard to purchase a 309-acre site adjacent to Ormond Beach. In 2004, Metropolitan declared 289 acres of the site to be surplus and sold the property. In 2019, Metropolitan declared the remaining 20-acre site to be surplus and sold the property. Proceeds from the sales have been held in the Trust Fund. As of September 30, 2019, the balance in the Trust Fund was \$21.6 million.

Metropolitan no longer holds any property that it expects to use for a desalination facility, and there are no current plans to purchase replacement property for future desalination facilities. As a result, the purposes for creation of the Trust Fund no longer exist. It is proposed that the designation placed by the Board on the funds be removed and the balance transferred to unrestricted reserves to meet future financial needs of Metropolitan.

Description

Background

Metropolitan purchased the 82.8 acre Bolsa Chica site in 1974 from Signals Properties, Inc., and Signal Bolsa Corp. with plans to build the nation's first nuclear-powered ocean water desalination plant. The plant was to be erected on an island created offshore on lands granted by the state and operated in conjunction with the City of Los Angeles Department of Water and Power and Southern California Edison. After environmental and economic studies determined the plant would not be feasible, Metropolitan declared the Bolsa Chica properties surplus to Metropolitan's needs.

On May 14, 1996, the Board approved the sale of Bolsa Chica properties. The properties were sold on September 20, 1996, for net proceeds of \$11,241,929.40. The May 1996 Board letter directed the proceeds, plus accrued interest, to be held in trust for the purchase of substitute coastal property for desalination facilities.

In 1998, the Board agreed to partner with the City of Oxnard to purchase a 309-acre site adjacent to Ormond Beach for \$10.2 million. The purchase was completed in August 1998.

On August 17, 2004, the Board affirmed the Chief Executive Officer's determination that the ownership of unimproved land at Ormond Beach comprising 309 acres, except for a 20-acre parcel, was surplus to Metropolitan's needs.

In January 2006, the sale of the surplus land at Ormond Beach was finalized. Metropolitan received net proceeds of \$11.5M and note repayment of \$2.2M from the City of Oxnard. Those proceeds were added to the Trust Fund.

In April 2019, the Board affirmed the General Manager's determination that the remaining 20-acre parcel of its holding at Ormond Beach was surplus to Metropolitan's needs and authorized staff to dispose of the property and

to quitclaim any associated interests. The sale was finalized on September 25, 2019, with net proceeds of \$1,780,449. Those proceeds were added to the Trust Fund.

Close Trust Fund

The Trust Fund was designated by the Board for the purchase of land to be used for future desalination facilities. With the sale of the vacant land at Ormond Beach in September 2019, Metropolitan no longer holds any property that it expects to use for a desalination facility. In addition, there are no current plans to purchase replacement property or develop future desalination facilities. As a result, the purposes for creation of the Trust Fund no longer exist.

This action will close the Trust Fund and transfer the balance, \$21.6 million at September 30, 2019, plus accrued interest thereon, to unrestricted reserves.

Policy

By Item 38046, Board letter dated December 21, 1989, regarding Sale of Bolsa Chica Property.

By Minute Item 41899, dated May 14, 1996, approval of the sale of Bolsa Chica properties (Parcels 1435--1-6, 7, 8 and 9).

By Minute Item 42042, dated September 10, 1996, final agreement for sale of Bolsa Chica properties with estimated proceeds of \$11.5 million.

By Minute Item 42724, dated November 18, 1997, instructions regarding use of proceeds from Bolsa Chica Properties Sale.

By Minute Item 43107, dated August 18, 1998, close of escrow on the Ormond Beach property.

By Minute Item 45883, dated August 17, 2004, affirmation of CEO's determination that Ormond Beach property in Oxnard was surplus.

By Minute Item 45955, dated October 12, 2004, authorization to sell 289 acres of the Ormond Beach property.

By Minute Item 51568, dated April 9, 2019, affirmation of General Manager's determination to surplus the remaining 20-acre Ormond Beach parcel and authorization to dispose of the property and to quitclaim any associated interests.

Metropolitan Water District Administrative Code Section 5200(a): Funds Established

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). Finally, because it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Close the Water Desalination Trust Fund and transfer the balance of \$21.6 million at September 30, 2019 plus accrued interest thereon to unrestricted reserves.

Fiscal Impact: Increase unrestricted reserves available to meet Metropolitan's future financial needs.

Business Analysis: Funds held in the trust fund are not available for current or future financial needs.

Option #2

Keep the balance in the Water Desalination Trust Fund and direct the General Manager on the proposed usage of the funds.

Fiscal Impact: None

Business Analysis: This option would forego an opportunity to make these funds available for current or future financial needs.

Staff Recommendation


Option #1



Katano Kasaine
Assistant General Manager/
Chief Financial Officer

10/21/2019

Date



Jeffrey Kightlinger
General Manager

10/25/2019

Date