



- **Board of Directors**

- Finance, Affordability, Asset Management, and Efficiency Committee***

10/14/2025 Board Meeting

7-4

Subject

Approve Emergency Event Member Agency Payment Deferment Program, Amend the Administrative Code to add Section 4520 to implement the Program, and Delegate Authority to the General Manager to administer the Program; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In September 2025, staff presented an informational report on a proposed Emergency Event Member Agency Payment Deferment Program to the Finance, Affordability, Asset Management, and Efficiency (FAAME) Committee of the Board, which would require amending the Metropolitan Administrative Code to implement the Program. The Program will assist qualifying member agencies while they experience difficult financial times caused by an emergency event, by allowing for payment deferment of up to 12 months, subject to the approval of the General Manager. The Program will be available to all member agencies that receive approval from the General Manager and will apply to invoices for all fixed charges, including Capacity, Readiness-to-Serve (RTS), Treatment Standby, and Treatment Peaking charges. The General Manager will have the authority to defer up to \$250,000 for each affected member agency per event. This letter proposes the Program for adoption by the Board, including the approval of Administrative Code Section 4520, setting forth the guidelines for the Program. The Program would become effective immediately upon approval and would apply to an eligible emergency as of January 1, 2025.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Approve Emergency Event Member Agency Payment Deferment Program, Amend the Administrative Code to add Section 4520 to implement the Program, and Delegate Authority to the General Manager to administer the Program

Fiscal Impact: Member agency participation in this Program will shift some revenue collection from one period to another, which may cross fiscal years.

The total impact, including any foregone interest income, will vary based on the scope of the emergency event and the level of participation by member agencies.

- The maximum deferral per member agency is \$250,000 per event.
- If all 26 member agencies sought relief for the same event, the total maximum revenue deferred into a future year would be approximately \$6.0 million–\$6.5 million.
- The interest earnings foregone on the maximum deferred revenue would be approximately \$240,000–\$260,000 annually. Otherwise, applicable late fees and penalties would also be foregone.

Business Analysis: The potential cost of the Program is reasonable, given the potential hardship member agencies may face in light of various emergency events. Costs to Metropolitan consist of temporarily deferring the receipt of revenue and the foregoing of interest revenue during the time of deferment. The Program is a more reasonable approach than would be the enforcement of penalties and interest in a time when agencies are experiencing financial difficulties.

Option #2

Do not approve the Emergency Event Member Agency Payment Deferment Program and amendment to the Administrative Code to add Section 4520 to implement the Program

Fiscal Impact: None

Business Analysis: In the event member agencies default on any portion of their obligations, Metropolitan will likely forego receipt of revenue and also expend time to enforce penalties and interest on a case-by-case basis.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 4501: Obligation to Pay for Water Delivered

Metropolitan Water District Administrative Code Section 4507: Billing and Payment for Water Deliveries.

Metropolitan Water District Administrative Code Section 4508: Additional Payment and Reporting in the Event of Delinquency in Payment for Water

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan first established a payment deferment program during the COVID-19 pandemic. In December 2020, the Board adopted the COVID-19 Member Agency Payment Deferment Program and amended the Administrative Code, which was repealed on November 14, 2023. The program allowed payment deferment for member agencies that met the Board-set criteria and were approved by the General Manager of Metropolitan. The COVID-19 pandemic created financial uncertainties that were similar to the financial uncertainties resulting from recent emergency events. As a result of the recent California wildfires, some member agencies and their customers have been experiencing financial difficulties, resulting in potential payment delinquencies to those member agencies. Properties were destroyed during the recent fires, resulting in retail customers not using or paying for water, and therefore, our member agencies also not receiving water payments from their customers in those areas. On September 9, 2025, staff presented the proposal of an Emergency Event Member Agency Payment Deferment

Program to the FAAME Committee, which would provide assistance to our member agencies during difficult financial occurrences caused by emergency events such as the recent wildfires, as defined in this section below.

Emergency Event Member Agency Payment Deferment Program

The Program will provide up to a 12-month deferral of a portion of the member agencies' Metropolitan bills up to the fixed charges, including Capacity, RTS, Treatment Standby, and Treatment Peaking charges, per the approval of the General Manager. Under the Program, late fees, penalties, and interest will be waived on the deferred amount, and member agencies will have an option to establish a payment plan for the total deferred amount for up to 18 months thereafter. Late fees, penalties, and interest will only apply to deferred payment obligations not made. The General Manager will have the authority to defer up to \$250,000 for each affected member agency per event.

Adoption of this Program will require the addition of the following section to the Metropolitan Administrative Code:

§ 4520 Emergency Event Member Agency Payment Deferment Program

- (a) Emergency Event: For the purposes of this section, an “emergency event” shall be defined as a natural or manmade disaster or a catastrophic incident that creates an extreme disruption to the operations of a member agency, causing physical harm and damage to persons or property.
- (b) The Treasurer of the District shall defer payment obligations of any amount due to Metropolitan on invoices for fixed charges, including Capacity, Readiness-to-Serve, Treatment Standby, and Treatment Peaking charges, subject to Section 4501 as approved by the General Manager. Payment obligations and additional charges under Sections 4507 and 4508 shall not apply to any payment obligation deferred pursuant to this Section.
- (c) In determining to grant a deferment under this section, the member agency must submit an official written request and supporting documentation outlining its need to participate in the Program to the General Manager, who may consider the following factors in addition to others not listed below:
 - i. The member agency has experienced an increased rate of delinquency in the payments from its customers to that agency, as a result of an Emergency Event;
 - ii. The member agency has suspended or deferred payment obligations of its customers to that agency, whether the obligations suspended or deferred consist of the total amount due or a partial amount due;
 - iii. The member agency does not have sufficient financial reserves that can be used to buffer the financial impacts of the increased delinquencies, suspensions, or deferments in (i) and (ii); and
 - iv. The member agency has not received federal, state, or other financial assistance to absorb the financial impacts described in (i) and (ii).
- (d) The following terms shall apply to amounts deferred pursuant to the approval of the General Manager under this Section:
 - i. The Treasurer of the District shall defer the payment obligations for the approved charges of a member agency for up to 12 months, but not to exceed **\$250,000** per member agency, per event.
 - ii. The member agency shall begin payment of all deferred amounts under this Section no later than 12 months following the approval of the deferral

application by the General Manager. The General Manager may approve for repayment to be made in one payment or through an established structured payment plan over a period of up to 18 months following the end of the deferment period; and


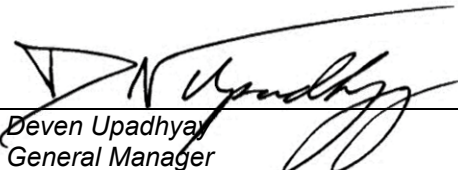
- iii. Payment obligations approved under (ii) will be subject to additional charges, as set forth in Section 4508, if not paid when due.
- (e) This Section applies to payment obligations for water service governed by Sections 4501, 4507, and 4508 and does not apply to payment obligations arising out of separate contractual arrangements.
- (f) District staff will periodically report to the Board of Directors on the deferments granted under the General Manager's authority pursuant to this Section.

Potential Financial Impacts on Metropolitan

With the adoption of the Program, any member agency participation will shift some revenue collection from one period to another, which may cross fiscal years.

The total impact, including any foregone interest income, will vary based on the scope of the emergency event and the level of participation from member agencies.

- The maximum deferral per member agency is \$250,000 per event.
- If all 26 member agencies sought relief for the same event, the total maximum revenue deferred into a future year would be approximately \$6.0 million–\$6.5 million.
- The interest earnings foregone on the maximum deferred revenue would be approximately \$240,000–\$260,000 annually. Otherwise, applicable late fees and penalties would also be foregone.

	10/3/2025
Katano Kasaine	Date
Assistant General Manager/ Chief Financial Officer	
	10/3/2025
Deven Upadhyay	Date
General Manager	