



Finance, Affordability, Asset Management & Efficiency Committee

Review Proposed Emergency Event Member Agency Payment Deferment Program, Amendment to the Administrative Code to Implement the Program, and Delegation of Authority to the General Manager to Administer the Program

Item 9-3

September 9, 2025

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Proposed Emergency Event Member Agency Payment Deferment Program

Subject

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Purpose

To assist qualifying member agencies while they experience financial difficulties due to an emergency event

Background

- In December 2020, Metropolitan established the COVID-19 Payment Deferment Program for member agencies
 - Allowed payment deferment for member agencies that met Board-approved eligibility criteria and were approved by the General Manager of Metropolitan
 - Repealed on November 14, 2023
- Recent California wildfires created similar financial uncertainties for some member agencies, resulting in payment delinquencies to those agencies
- Staff is proposing to establish an Emergency Event Member Agency Payment Deferment Program

Emergency Event Member Agency Payment Deferral Program

- The program will be available to all member agencies, subject to the approval of the General Manager of Metropolitan
- The program will provide up to 12-month deferral of a portion of the member agencies' Metropolitan bills up to the fixed charge components for capacity and readiness-to-serve (RTS) charges, capped at \$250,000 per agency, per event
- Under the Program, late fees, penalties, and interest will be waived on the deferred amount
- At the end of the 12-month deferral period, member agencies may enter into a payment plan for up to 18 months, with late fees, penalties, and interest continuing to be waived
 - Late fees, penalties, and interest apply to deferred payment obligations not made

Proposed New Administrative Code Section 4520

§ 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 capacity and readiness-to-serve (RTS) 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.

Proposed New Administrative Code Section 4520

(Factors for Consideration)

- (c) In determining to grant a deferment under this section, the General Manager 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);**
 - iv. The member agency has not received federal, state, or other financial assistance to absorb the financial impacts described in (i) and (ii); and**
 - v. The member agency has submitted an official request and supporting documentation to the General Manager outlining its need to participate in the Program.**

Proposed New Administrative Code Section 4520 (Terms)

- (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 capacity and readiness-to-serve (RTS) 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.**

Fiscal Impact

- If the Program is approved, any member agency participation will result in the shift of some revenue collection from one period to another, which may cross fiscal years
- The total fiscal impact, including any foregone interest income, will vary based on the scope of each emergency event and the level of participation from member agencies
 - The maximum annual 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
 - The interest earnings foregone on the maximum deferred revenue would be approximately \$240,000 annually

