



# San Diego County Water Authority

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September 10, 2012

John V. Foley, Chairman  
and Members of the Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

**MEMBER AGENCIES**

- Carlsbad Municipal Water District
- City of Del Mar
- City of Escondido
- City of National City
- City of Oceanside
- City of Poway
- City of San Diego
- Fallbrook Public Utility District
- Helix Water District
- Lakeside Water District
- Olivenhain Municipal Water District
- Otay Water District
- Padre Dam Municipal Water District
- Camp Pendleton Marine Corps Base
- Rainbow Municipal Water District
- Ramona Municipal Water District
- Rincon del Diablo Municipal Water District
- San Dieguito Water District
- Santa Fe Irrigation District
- South Bay Irrigation District
- Vallecitos Water District
- Valley Center Municipal Water District
- Vista Irrigation District
- Yuima Municipal Water District

Re: Item 7-3 – Approve amendments to the Metropolitan Water District Administrative Code to current laws and practices and make corrections

Dear Mr. Foley and Board Members:

Board Memo 7-3 states that changes are being suggested to the Administrative Code to “conform to current laws and practices and make corrections.” However, while some of the changes are accurately described as administrative or corrective in nature, and one is in fact to conform to changes in the law, others change board policy and involve issues of important public interest.

A number of the proposed Code amendments change the process and timing for the setting of water rates and charges. Many of the other suggested changes reduce the level of reporting to the board of directors and public. In general, we do not believe that policy changes should be brought to the board by staff in the context of Administrative Code amendments, rather, the board policies should be presented as such so that there is an opportunity for meaningful review by the member agencies and public. When changes are proposed to “conform to practice,” there should also be some explanation why the Administrative Code is not being followed in the first place.

The following is a list of the proposed Administrative Code amendments we support and those we oppose (paragraphs track the paragraphs in the board memo).

1. Section 1104 – SUPPORT.
2. Section 2140 – SUPPORT.
3. Although we concur that the General Manager’s (GM) Business Plan should be reflected in the budget and is properly part of that process, we do not support the proposed amendments that delete the requirement for a “comprehensive” business plan, which now includes goals and objectives, and substitutes a requirement that the GM only

**OTHER REPRESENTATIVE**

County of San Diego

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identify “key priorities.” We have the same concern regarding the amendments proposed regarding all other board direct reports. We believe that a higher level of transparency and reporting is more appropriate, particularly in light of the complexities and rising costs associated with MWD’s activities. We also question the deletion of the Executive Committee’s current authority to approve the Business Plan. We believe that the board benefits both from being provided and having the Executive Committee review and *approve a comprehensive, narrative business plan* as currently required to be presented by the GM – OPPOSE.

4. Committee consolidation – SUPPORT.
5. Section 2520 relating to board officers is suggested to be amended to remove a “conflict” with Section 2202. The provision proposed to be deleted reflects a board policy that regional representation is an important value; we continue to believe that it is an important value. Section 2520 currently states that this objective only applies “insofar as practical” so it is difficult to understand the recommendation that the provision be deleted. Rather than amend Section 2520, the board should amend Section 2202 to resolve the “conflict” in favor of recognizing the importance of regional inclusivity in the board’s leadership – OPPOSE.
6. Section 2715 deletes a semi-annual report to the board on local resources and conservation programs. This change would not, as explained, eliminate “duplication” because the proposed substituted IRP update is only given annually – and as noted, *is not required by the Administrative Code*. There is no policy basis articulated to reduce the visibility and transparency of these programs or reports to the board– OPPOSE.
7. Section 4124 relating to Water Stewardship Rate – OPPOSE.
8. The basis of the changes proposed to sections of the Administrative Code relating to the budget process and cost of service are NOT as described, “to be consistent with MWD’s current biennial budget process and financial terms (whatever that means).” Adoption of the annual budget does not require “flexible timing” – to the contrary, the public is entitled to know with certainty what the process is and when the budget will be adopted and water rates set by the MWD board, as well as when other required actions will be taken by staff. Statutory protections of the public’s right to know and obtain information about MWD’s water rates and charges will be compromised by the creation of this uncertainty. Inclusion of the language, “not later than” leaves the public and member agencies in the dark about when MWD will take prescribed actions. There is no showing why MWD requires additional “flexibility” in its budget process or that any such need for “flexibility” would outweigh the public’s right to know when MWD is going to adopt a budget and set water rates.

Further, while we do not object to a biennial budget process, the Administrative Code should *require* an odd-year full budget review and progress report to the board of directors, to provide transparency and accountability and an opportunity for the General Manager to explain any course correction that may be necessary to remain within the adopted budget. As reflected in the most recent Appendix A, MWD has substantially missed the mark in establishing its budget and revenue requirements many times over the past several years.

We do not understand the proposed changes to the Administrative Code (Sections 4300- newly proposed Section 4305) that would eliminate the current requirement for the *annual apportionment of revenues and setting of water rates and charges to raise firm revenue* to a process in which, apparently, determinations of the revenue requirements and cost of service analysis and setting of water rates would occur only in even-numbered years, however, the setting of charges to raise fixed revenue would occur annually. We believe that MWD should set its water rates annually, even if the budget is set on a biennial process, in order to allow rates to be set taking into account first-year actual budget outcomes and changed circumstances, rather than reflecting outdated assumptions. It is especially important for a wholesale agency as large as MWD to allow for and make a course correction between biennial budget cycles when necessary.

Except as described, we strongly OPPOSE proposed changes of the Administrative Code described in paragraph 8 and request that they be deferred to allow an opportunity for the General Manager to provide a detailed report to the board explaining these proposed changes in the setting of water rates and charges, and to allow both the member agencies and public an opportunity to understand and comment on the changes that are being proposed.

9. Section 5111 relating to the approval of vouchers should not be deleted. Instead, it should be amended to reflect the use of electronic process, but maintain the existing requirements that are intended to evidence the propriety of the disbursements – OPPOSE.
10. Changes on impasse procedures to conform to amendments to the Myers-Milias-Brown Act – SUPPORT.
11. Changes on leave benefit for subpoenaed employees to correspond to work schedule – SUPPORT.
12. Given the per diem standard, we believe requiring receipts causes unnecessary accounting and review costs that serve no public purpose – SUPPORT.
13. Updates to reflect current salary ranges consistent with salary schedule approved by the

Mr. Foley and Board Members

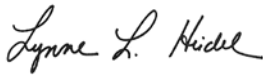
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board – SUPPORT.

14. The changes to the General Manager's authority to grant real property interests are not necessary to achieve the stated purpose because the existing language is clear. The Code language as proposed appears to create a *limitation* on the transactions that require board approval – OPPOSE.

Sincerely,



Lynne Heidel  
Director



Keith Lewinger  
Director



Fern Steiner  
Director



Doug Wilson  
Director