



# Southeast Water Coalition

A joint powers authority to protect the Central Groundwater Basin

June 10, 2013

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

SUBJECT: PENDING UNNECESSARY WATER RATE INCREASE AND BOARD  
MEMO 8-2

Dear Mr. Foley and Members of the Board of Directors:

The Southeast Water Coalition Joint Powers Authority (SEWC) was established in 1991 and has a membership consisting of the cities of Commerce, Cerritos, Downey, Lakewood, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, South Gate, Vernon, and Whittier. SEWC's mission addresses the need to develop water resource policies that will ensure the availability of reliable, quality and affordable water for area residents. SEWC's water purveyors serve a population of 670,000.

On April 10, 2012 the Metropolitan Water District (MWD) Board of Directors voted a 10% rate increase over a two year period, by implementing a 5% increase each of the two following years. Now, mid-way through that first ever biennial budget cycle, it is clear that unrestricted reserves have increased by more than \$300 million higher than forecast, however despite that MWD intends to continue with a 5% rate increase in January.

The rate increase was based on projections that water sales volume will remain largely flat between 1.7 million acre feet (MAF) in FY 2013 and 1.75 MAF in 2017. This proved to be an extremely conservative projection as FY 2013 sales are running at 1.8 MAF and increasing. A realistic projection of FY 2014 sales is 1.9 to 2.0 MAF. Sales at these levels will put end of FY 2013 reserves up \$200 million from last year for a total estimated cash reserve of \$510 million.

Given that the MWD has evidently underestimated its FY 2014 water sales, SEWC calls on the Board to rescind the April 10<sup>th</sup> action and hold the current rate.

SEWC has also reviewed the June 11, 2013 MWD Board agenda item 8-2. This item appears to be an end run around the California legislature's corrective action of 1991 to hold MWD's property tax rate to bond costs actually paid. SEWC respectfully requests a no vote on item 8-2.

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In summary, SEWC respectfully requests that MWD proceed as planned with the expenditure of fiscal year 2013 surplus funds, and rescind the rate increase scheduled to take effect in January 2014. We also request that MWD return to the historic practice of establishing your budget and water rates annually.

Should your staff need any additional information, please have them contact Mr. Jim Glancy, Administrative Entity Chairman, at (562) 866-9771.

Sincerely,



Gustavo Camacho  
Chair, Southeast Water Coalition

cc: Southeast Water Coalition Board Members  
Central Basin Municipal Water District Board of Directors  
Long Beach Water Department