



San Diego County Water Authority

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May 14, 2013

John (Jack) V. Foley 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
- OTHER REPRESENTATIVE**
- County of San Diego

RE: Board Memo 8-1 – Set public hearing to consider suspending Section 124.5 of the Metropolitan Water District Act to maintain the current ad valorem tax rate

Dear Chairman Foley and Members of the Board,

We have reviewed Board Memo 8-1 as well as the Legislative History of SB 1445 (Presley), now embodied in Section 124.5 of the MWD Act. While we support having a long term financing plan to increase MWD’s fixed revenues in a manner which is proportional to benefits received by its member agencies, we are troubled by the ad hoc nature of staff’s recommendation to schedule a public hearing to suspend tax limitations on the grounds that such action is “essential to the fiscal integrity of the district” this year. It is particularly difficult to understand the justification for taking this action at the same time MWD is, through its water rates and charges, already collecting hundreds of millions of dollars of revenues far in excess of its actual costs of service. Suspending the tax limitation, in isolation -- without addressing all of MWD’s financial policies, rates, revenues and expenses -- will only exacerbate the over-collection of revenues in FY 2014 beyond what is necessary to meet the agency’s expenses.

While ad valorem taxes may be an important tool over the long term for ensuring that the cost of MWD’s services are shared proportionally by all of those who benefit, Board Memo 8-1 fails to mention other statutory and Constitutional requirements MWD’s rates and charges must meet, including but not limited to compliance with Proposition 26. MWD is legally required to align the costs that it incurs with the services it provides. Developing a plan to pay for additional State Water Project costs must be part of that process. A one-year suspension of the limitation on the ad valorem tax rate is not a panacea for the hard work and changes that will be needed so that MWD has the funds it needs to pay its future costs from rates that truly represent a fair distribution of its costs.

As noted in our letter commenting on the draft Appendix A, we are concerned what the public perception will be of MWD declaring that these ad valorem taxes are “essential to the

A public agency providing a safe and reliable water supply to the San Diego region

Chairman Foley and Members of the Board

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fiscal integrity of the district.” Read in the context of the Legislative History of SB 1445, we doubt this is the kind of situation the Legislature envisioned in establishing the limitations of Section 124.5.

Rather than set a public hearing to suspend the tax limitations for one year, we would like to suggest that the board of directors use this time to establish a Fiscal Sustainability Task Force to update MWD’s Long Range Finance Plan. The plan would take into account all of MWD’s liabilities, and facilities and resource needs and align them to rates and charges including fixed cost recovery that will be proportional to the benefits its member agencies desire and for which they are willing to pay.

Sincerely,



Keith Lewinger
Director



Vincent Mudd
Director



Fern Steiner
Director



Doug Wilson
Director

cc: Jeff Kightlinger, MWD General Manager
San Diego County Water Authority Board of Directors and Member Agencies