



San Diego County Water Authority

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March 7, 2014

The Honorable Darrell Steinberg
President pro Tempore
California State Senate
State Capitol, Room 205
Sacramento, CA 95814

The Honorable John A. Pérez
Speaker
California State Assembly
State Capitol, Room 219
Sacramento, CA 95814

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: METROPOLITAN WATER DISTRICT PUBLIC HEARING ON
SUSPENSION OF TAX RATE LIMITATION

Dear President pro Tem Steinberg and Speaker Pérez:

We represent the San Diego County Water Authority on the board of directors of the Metropolitan Water District of Southern California (MWD or district). We are in receipt of MWD’s letter advising you of the public hearing on its recommendation to suspend the tax rate restriction for the next two years, based on a finding that a tax rate in excess of the restriction is “essential to the fiscal integrity of the district.”

We strongly support MWD’s desire to increase its fixed revenues, which are currently less than 20% of total revenues, while its fixed costs are more than 80% of its total costs. However, we do not support the ad hoc suspension of the tax rate given the absence of a long range finance plan (MWD’s finance plan was last updated in 2004). The Legislature has given MWD the specific authority to impose other fixed charges, including a standby charge, and we believe that should be considered at the same time as suspension of the tax rate restriction. Indeed, MWD’s Chief Financial Officer confirmed at our last board meeting that MWD has many revenue funding options and that suspension of the tax rate limitation is *not essential* to maintain MWD’s fiscal integrity.

There will certainly be no harm to MWD this year if it takes the time to develop a long range finance plan; by June 30, MWD’s own projections show that it will have cash reserves of \$800 million. Over the past two years alone, MWD collected \$600 million more from its ratepayers than it needed to fund *all* of its planned and budgeted spending, as a result of underestimating sales and overestimating its expenses.

Finally, you should be aware that, on February 25, San Francisco Superior Court Judge Curtis Karnow issued a tentative ruling that MWD’s 2011, 2012, 2013 and 2014 rates violate the California Constitution (Proposition 26), California statutes (including the wheeling statutes) and common law that all require MWD set its rates based upon cost-of-service. That decision is expected to be finalized within the next few weeks. These rates, now invalidated by the Court, are the very rates that MWD relies upon for more than 80 percent of its revenues and that are responsible for MWD’s over-collection of hundreds of millions of dollars from its ratepayers.

For all of these reasons, we do not believe that suspension of the tax rate limitation is essential to the fiscal integrity of the district; however, we do believe that a long range finance plan is essential to the fiscal integrity of the district. In order to responsibly plan for the future, including a Delta fix, MWD’s fiscal house must be in order.

Very truly yours,

Fern Steiner
Director

Vincent Mudd
Director

Keith Lewinger
Director

Michael T. Hogan
Director

cc: San Diego Legislative Delegation
MWD Board of Directors
SDCWA Board of Directors

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