



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Executive Office

March 13, 2014

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

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

Dear President pro Tem Steinberg and Speaker Pérez:

The Metropolitan Water District of Southern California is approaching some important water financing decisions in response to the current drought conditions and the need for long-term fiscal stability.

The unprecedented dry conditions in Southern California have prompted Metropolitan to draw on its stored water to supply our 26 member agencies to prevent a shortage with disastrous economic consequences. Due to the sale of this water, our short-term revenues have increased.

In response to this temporary increase in revenue, Metropolitan staff is proposing that the Board of Directors consider using these funds to replace our stored water, pay down retirement-related liabilities and fund previously scheduled capital investments. Rather than taking on new debt, this will lower the District's debt burden. This strategy will help ensure we can supply water when called upon and reduce pressure on future water rate increases for years to come by reducing Metropolitan's overall costs.

Metropolitan's property tax revenue is an important component of the district's budget and long-term finance plan, just as it is for countless other governments in California. Metropolitan has relied on property taxes since the 1920s as a way to fund construction of the Colorado River Aqueduct and the State Water Project. Long term, Metropolitan faces the disappearance of this fixed revenue source. This very modest fixed revenue stream - \$10.50 in annual assessments on a house valued at \$300,000 - is vital for the long-term structural fiscal integrity of the District. These funds help ensure that the costs of maintaining and delivering water are partially recovered by the properties we serve and not inappropriately shifted to lower-income customers.

Next month our Board will consider maintaining the property tax rate at current levels along with a proposed annual rate increase in the range of 0 to 1.5 percent as part of the District's biennial budget and rate review process. Metropolitan has devoted many hours in

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public workshops and hearings discussing these short and long-term financing issues as part of our democratic decision-making process. We welcome the opportunity to provide more information as we seek to be a constructive participant in water solutions for all of California.

For further information, please do not hesitate to contact Kathleen Cole in our Sacramento legislative office at (916) 650-2600 or by email at kcole@mwdh2o.com. Thank you for your time.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Kightlinger". The signature is fluid and cursive, with the first name "Jeff" being more prominent.

Jeffrey Kightlinger
General Manager

Attachment: SDCWA Letter dated March 7, 2014

cc: Metropolitan State Legislative Delegation
Metropolitan Board of Directors
SDCWA Board of Directors