



San Diego County Water Authority

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December 11, 2016

Randy Record and
Members of the Board
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 8-6 - Adopt CEQA determination and adopt Second Supplemental Subordinate Resolution to the Master Subordinate Resolution authorizing the issuance of up to \$175 million of Subordinate Water Revenue Bonds, 2016 Authorization, and provide for transaction documents - **OPPOSE AND RENEW REQUEST FOR INFORMATION**

Dear Chair Record and Board Members,

We **OPPOSE** the action recommended in Board Memo 8-6 because insufficient information has been provided to allow the Board to conduct necessary due diligence review of the recommendation or provide transparency to ratepayers regarding the proposed action.

Although the Board Memo states that the proposed Resolution provides "the terms and conditions for the sale and issuance of the Bonds," that is not accurate. The Board is told only that MWD is borrowing \$175 million from an unidentified financial institution, at the "One Month, London Interbank Offered Rate, plus a basis point spread." All other terms are described in the Transaction Documents, which were not provided with the Board Memo.

The recommendation in Board Memo 8-6 is that the MWD Board delegate to two board members and the General Manager the authority to approve all of the terms for the sale and issuance of these bonds in their "sole discretion." We believe this is an overly broad delegation of the Board's responsibilities in connection with the issuance of bonds, particularly in this case where \$175 million in private placement taxable bonds are proposed, without the benefit of disclosures that would be required for a public offering.

The proposed Resolution also recites that the loan proceeds will be used to pay the "costs of acquisition, construction and improvements to the Water System (as defined in the Master Subordinate Resolution)." "Water System" is defined as, "the properties, works and facilities of the District necessary for the supply, availability, development, storage, transportation, treatment or sale of water." Master Subordinate Resolution at Article I, Section 1.01, page 17. MWD has made no showing that the acquisition of the Delta Islands is necessary for any of these purposes; indeed, MWD has declined to identify what the

intended use of the property will be. This is one of the reasons we objected to the unnecessarily hasty, premature acquisition of this property (see May 7, 2016 letter RE Real Property and Asset Management Committee and Board Meeting BOARD INFORMATION ITEMS - REQUEST TO CONFIRM BOARD ACTION Agenda Item 9-3, etc.).

We also objected to the introduction and approval of the underlying Ordinance No. 149, as a result of MWD's failure to provide sufficient information to establish why incurring \$500,000,000 in debt was necessary. At that time, MWD staff claimed that the debt was necessary to fund a portion of the Capital Investment Program and "reimburse MWD for capital projects it had already paid for since May 2015." The Delta Islands were not part of the CIP (see September 20 and October 10, 2015 letters RE Board Memos 8-6 and 8-1, respectively, relating to Ordinance No. 149).

We have requested copies of the Transaction Documents and staff has declined to provide them. As members of the MWD Board, with a legal responsibility for approval of this \$175,000,000 debt in representing the ratepayers we serve, we again request to be provided copies of the associated Transaction Documents. We do not agree to delegate our board responsibilities in connection with this matter to the three members of the Ad Hoc Committee.

Sincerely,



Michael T. Hogan
Director



Keith Lewinger
Director



Elsa Saxod
Director



Fern Steiner
Director