

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

RESOLUTION 9156

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA**

**FINDING THAT MAINTAINING THE AD VALOREM TAX RATE FOR FISCAL
YEAR 2013-14 IS ESSENTIAL TO THE FISCAL INTEGRITY OF THE DISTRICT**

WHEREAS, The Metropolitan Water District of Southern California (“Metropolitan”), pursuant to Section 124 of the Metropolitan Water District Act (the “Act”), is authorized to levy and collect taxes on all property within the district for the purposes of carrying on the operations and paying the obligations of the district; and

WHEREAS, since its inception Metropolitan has levied and collected property taxes for such purposes; and

WHEREAS, the Board of Directors (“Board”), pursuant to Section 307 of the Act, is authorized to determine the amount of money necessary to be raised by taxation for district purposes each fiscal year, to fix rates of taxation upon the assessed valuation of property taxable by the district and to levy a tax accordingly; and

WHEREAS, before 1942, all revenues to pay for operations, construction of the Colorado River Aqueduct and other facilities and payment of obligations came from *ad valorem* taxes. After deliveries of Metropolitan water began in fiscal year 1941/42, water sales were an additional source of revenues, but not until 1974 did revenues from water sales equal revenues from *ad valorem* taxes; and

WHEREAS, on November 4, 1960, Metropolitan entered into its contract with the California Department of Water Resources (the “State Water Contract”) for water service from the State Water Project. Metropolitan’s was the first contract executed and the prototype for the 28 state water contracts that followed; its terms were validated by the California Supreme Court in *Metropolitan Water Dist. v. Marquardt* (1963) 59 Cal.2d 159; and

WHEREAS, Metropolitan is obligated to pay allocable portions of the cost of construction of the State Water Project system and ongoing operating and maintenance costs, regardless of quantities of water available from the project and regardless of the amounts of water it sells to its member agencies. Approximately 75 percent of Metropolitan’s State Water Project expenditures are fixed, or do not vary with the quantity of water delivered; and

WHEREAS, Metropolitan is authorized to collect property taxes to pay its State Water Contract obligations. Under circumstances provided in the State Water Contract, if other funds are not sufficient, it must levy a tax or assessment sufficient to provide for all payments under the State Water Contract then due and becoming due; and

WHEREAS, Metropolitan currently utilizes tax revenues solely to pay debt service on its general obligation bonds, approved by the voters in 1966 and presently outstanding in the amount of \$165,085,000, and a portion of its State Water Contract obligations; and

WHEREAS, Metropolitan's outstanding general obligation bonds and State Water Contract obligations are indebtedness approved by the California voters before Article XIII A of the California Constitution (Proposition 13) was adopted; and

WHEREAS, the Board and Metropolitan's member agencies periodically have evaluated the appropriate mix of property taxes and water rates and charges to enhance Metropolitan's fiscal stability and ability to ensure the region's long-term water supply while reasonably and fairly allocating the cost of providing service to its member agencies; and

WHEREAS, on May 8, 1984, the Board approved proposed amendments to the Act, set forth in Board Letter 6-2 dated April 30, 1984; and

WHEREAS, such amendments were incorporated into Assembly Bill 1445, which was approved by the Legislature and filed with the California Secretary of State on July 3, 1984, and added to the Act as Section 124.5; and

WHEREAS, in Board Letter 9-9 dated December 20, 1990, General Manager Carl Boronkay transmitted additional information on the water revenues/tax compromise that led to inclusion of Section 124.5 in the Act; and

WHEREAS, commencing with fiscal year 1990/91, Section 124.5 has limited Metropolitan's property tax revenues (and thereby the tax levy rate), to the total of annual debt service on Metropolitan's general obligation bonds and the portion of the State Water Contract payment for debt service on State general obligation bonds for facilities benefitting Metropolitan as of 1990/91; and

WHEREAS, Metropolitan's tax levies have complied and continue to comply with the requirements of Section 124.5; and

WHEREAS, Metropolitan's tax levy rate has declined from .0089% in fiscal year 1999/2000 to .0035% in fiscal year 2012/13; and

WHEREAS, at the time SB 1445 was passed, 33 percent of Metropolitan's revenues were from property taxes, while in fiscal year 2012/13 property taxes account for about only 5 percent of total estimated revenues, with the remainder of Metropolitan's revenues primarily derived from water sales and charges; and

WHEREAS, Metropolitan's State Water Contract costs are projected to increase, because existing facilities of the State Water Project are over 50 years old and in need of repair and replacement, and payments are expected to further increase with the implementation of the Delta Habitat Conservation and Conveyance Program and Bay Delta Conservation Plan; while property tax collections linked to the State Water Contract are decreasing; and

WHEREAS, consideration of current and anticipated State Water Contract payment obligations and a balancing of proper mechanisms for funding the obligations is fundamental to Metropolitan's fiscal health; and

WHEREAS, maintaining the existing ad valorem tax rate for fiscal year 2013/14 will take pressure off Metropolitan's water rates and allow the Board flexibility as it funds Metropolitan's State Water Contract obligations fully and fairly; and

WHEREAS, Section 124.5 affirms the Board's discretion to determine the amount of money necessary to be raised by taxation for district purposes each fiscal year, providing that the restriction contained in such Section do not apply if the Board, following a hearing held to consider that issue, finds that a tax in excess of this restriction is essential to the fiscal integrity of the district, and written notice of the hearing is filed with the offices of the Speaker of the Assembly and the President pro Tempore of the Senate at least 10 days prior to the date of the hearing; and

WHEREAS, on May 13, 2013, the Finance and Insurance Committee of the Board reviewed Board Letter 8-1, executed by the Chief Financial Officer and General Manager on May 3, 2013, and recommended that the Board set a public hearing for the June 2013 Board meeting to consider suspending the tax restriction clause of Section 124.5 to maintain the ad valorem tax at current levels, and instruct the Board Executive Secretary to provide notice of the public hearing, as required by Section 124.5; and

WHEREAS, the Board approved such recommendation on May 14, 2013; and

WHEREAS, notices of the public hearing were filed with the offices of the Speaker of the Assembly and the President pro Tempore of the Senate on May 29, 2013; and

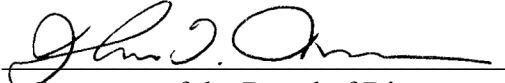
WHEREAS, the Board conducted a public hearing at its regular meeting on June 11, 2013, at which interested parties were given the opportunity to present their views regarding the recommendation to suspend the tax restriction clause of Section 124.5 to maintain the ad valorem tax at current levels; and

WHEREAS, each of the meetings of the Board were conducted in accordance with the Brown Act (commencing at Section 54950 of the Government Code), for which due notice was provided and at which quorums were present and acting throughout;

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California, after receiving, considering, and evaluating public comments and evidence and all material factors pertaining thereto, including the financial and operating information

summarized in Board Letter 8-1 executed by the Chief Financial Officer and General Manager on May 31, 2013, hereby finds that a tax rate in excess of the restriction set out in Section 124.5 of the Act is essential to the fiscal integrity of Metropolitan. Therefore, the Board resolves and determines that the tax rate restriction in Section 124.5 of the Act is hereby suspended for fiscal year 2013/14 and the Board in its discretion may levy taxes at the tax rate levied for fiscal year 2012/13 (.0035% of assessed valuation, excluding annexation levies).

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a resolution of the Board of Directors of The Metropolitan Water District of Southern California, adopted at its meeting held June 11, 2013.


Secretary of the Board of Directors
of the Metropolitan Water District
of Southern California