

MEMBER AGENCIES

August 17, 2019

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

Gloria Gray and
Members of the Board of Directors
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

RE: Finance and Insurance Committee and Board Meeting Agenda Item 8-1: Adopt resolution establishing the tax rate for fiscal year 2019/20 -- OPPOSE

Dear Chairwoman Gray and Board members:

The Water Authority and its delegation have repeatedly expressed objection to MWD's suspension of the tax rate limitation under Section 124.5 of the MWD Act beginning in fiscal year 2014, and we object again via this letter.¹ While we have no objection to the use of ad valorem property tax as a source of revenue *in the abstract*, we cannot support this action because:

1. ***No facts are presented to support suspension of the tax limitation.*** MWD has not demonstrated on the basis of any *facts or analysis* why suspension of the tax rate limitation is "essential to the fiscal integrity of the District." We understand that it is more *convenient* to the District to maintain this revenue source—and in fact might support it under specified circumstances—but the facts simply have not been presented in Board Memo 8-1 or in any other prior board memo or analysis that would justify suspending the tax rate limitation imposed by the Legislature.
2. ***The staff analysis does not provide a proper basis for suspension of the tax limitation.*** Board Memo 8-1 justifies suspension of the tax limitation by saying that without it, overall rates and charges would need to be increased by 6 percent for the fiscal year over and above the overall approved rate increase of 3 percent. The Board Memo goes on to explain that this additional revenue will provide the District with more "flexibility" as it considers new spending programs (Board Memo at Page 3, paragraph one). Again, we can't object to this premise, but it's the wrong premise under Section 124.5, which was ***adopted for the express purpose of shifting costs that had previously been paid for by property taxes to water rates or other fixed charges.***

¹ See letters dated 8/19/18, 4/8/2018, 8/14/2017, 8/15/2016, 8/15/2015, 7/3/2014, 8/16/2013, 6/5/2013, 5/14/2013, all of which are in MWD's possession and are incorporated herein by reference.

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Finally, our Delegates have noted that the shifting of costs from water rates to ad valorem property taxes without any supporting cost of service analysis has quite different impacts on different counties and MWD member agencies. They plan to raise this as an important issue to consider not only in the cost of service process but also in the context of long range financial planning.

Sincerely,

/signed

Mark J. Hattam
General Counsel

Cc:
Water Authority Board of Directors
Ms. Sandy Kerl
Mr. Jeffrey Kightlinger
Ms. Marcia Scully