

February 8, 2020

**VIA E-MAIL**

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

Marcia Scully, Esq.  
General Counsel  
Metropolitan Water District of Southern California  
P. O. Box 54153  
Los Angeles, CA 90054-0153

**RE:** Board memo 8-1: Set combined public hearing regarding: (1) the proposed water rates and charges for calendar years 2021 and 2022 necessary to meet the revenue requirements for fiscal years 2020/21 and 2021/22, and (2) applicability of the MWD Act Section 124.5 ad valorem property tax limitation for fiscal years 2020/21 and 2021/22

Dear Ms. Scully:

Under the above-referenced Board Memo 8-1 the MWD Board of Directors next week will be considering suspension of MWD Act Section 124.5 tax rate limitations, which has a required finding that the collection of property taxes in excess of the statutory limitation is “essential to the fiscal integrity of the district.” This is the key finding the MWD Board of Directors must make under Section 124.5, based on evidence in the record. However, we are concerned that the public and MWD’s member agencies may not be provided adequate notice or the requisite information for this hearing.

The Board memo for item 8-1 states that the hearing will cover “applicability of the MWD Act Section 124.5 ad valorem property tax limitation.” However, Board Memo 8-1 to set the public hearing does not analyze applicability, or provide potentially applicable facts. Board Memo 8-1 references Board Memo 9-2, but that memo also does not provide any analysis or basis for a determination by the Board why the continued collection of ad valorem property taxes is “essential to the fiscal integrity of the district.” Board Memo 9-2 simply states a conclusion:

It is proposed that the Board continue its determination that it is essential to Metropolitan’s fiscal integrity to maintain an ad valorem tax rate in excess of the limitation in MWD Act Section 124.5, as the Board has done since the FY 2013/14 tax levy. Doing so will allow the Board to maintain the ad valorem tax rate at the current level of .0035 percent of assessed value for both fiscal years. This is projected to generate ad valorem tax revenues of \$139.9 million in FY 2020/21 and \$140.1 million in FY2021/22. Over the biennial budget period, maintaining the ad valorem tax rate at the current level is essential to the fiscal integrity of the District as it will provide revenues that can be used to pay for growing State Water Project costs, help to maintain a balance between fixed and variable revenues, and reduce the impact of future water rate increases that would otherwise result from SWP costs the voters intended would be paid from property taxes. (Board Memo 9-2 at page 5)

Ms. Scully, MWD General Counsel

February 8, 2020

Page 2

The public notice says that the hearing is to determine the “applicability” of MWD Act Section 124.5. We suggest that MWD amend its public notice to be consistent with prior board actions, and that for the public hearing, MWD provide a full analysis of the facts and law regarding MWD’s proposed decision on Section 124.5 so that its “applicability” may be properly reviewed by the public and all member agencies.

Thank you for your consideration of this issue.

Sincerely,

/signed

Mark J. Hattam  
General Counsel

cc: Water Authority Board of Directors  
MWD Board of Directors  
Sandra Kerl, Water Authority General Manager  
Jeff Kightlinger, MWD General Manager