

April 9, 2020

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

Chairwoman Gray and
Members of the Board
P. O. Box 54153
Los Angeles, CA 90054-0153

RE: Board Agenda Item 8-1: Proposed Biennial Budgets for FY2020/21 and 2021/22 and
Water Rates for Calendar Years 2021 and 2022

Dear Chairwoman Gray and Board Members:

Several water agencies have written to Metropolitan Water District (MWD) expressing concern about MWD's proposed water rates and charges in light of the impact of the COVID-19 crisis on our retail water agencies and customers. We believe your response to these letters would benefit from an opportunity for full board discussion, scheduled to occur at our finance committee and board meetings next week. We want to be able to deliver on your promise that the Board of Directors will carefully consider the impacts of any rate increase after full deliberation of all alternatives.

The retail agencies who have written to MWD have explained the dire situation they face, as well as the difficult measures they are taking to tighten their own belts. These measures include deferral or cancellation of *needed* capital projects and other extraordinary actions. The Water Authority and its retail member agencies are facing the same challenges and are taking similar measures.

One week ago, the Governor signed Executive Order N-42-20 to protect consumers who may not be able to pay for their water service from shutoffs. As a result—and while we are in full support of Governor's leadership in controlling the pandemic and are not in any way questioning the necessity of his actions—we are all in an even more precarious position as we have no way of knowing what the resulting financial impacts will be.

The Assembly Committee on Budget has presented an outline of how the State budget will have to adjust to the realities of the impact of the pandemic on our State, and the process it will follow to continue to assess the situation and make difficult choices. A copy of Assembly Committee on Budget issued from Chair Ting's office is attached. As you will note, extraordinary measures are also being anticipated at the State level.

We do not believe the steps that MWD staff has taken (described in this month's Board Memo 8-1) to respond to the circumstances and to the pandemic rise to the level necessary to meet the needs of our retail agencies and the public we serve. It is imperative that MWD demonstrate it intends to be a *meaningful* part of the solution.

Chairwoman Gray and Members of the Board

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The world has changed since our Board's budget deliberations. We join in the call for MWD to step back and take one additional month to reconsider our planned expenditures from the ground up, in light of changed circumstances. This is the only way the MWD Board of Directors can help ensure that water service will indeed be available for everyone during this pandemic and in its aftermath.

We look forward to our meetings and discussion next week.

Sincerely,



Jerry Butkiewicz
Director



S. Gail Goldberg
Director



Michael T. Hogan
Director



Tim Smith
Director

Attachment: Assembly Committee on Budget Chair Ting's Statement

cc: Water Authority Board of Directors and Member Agencies

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Assembly California Legislature



ASSEMBLY COMMITTEE ON BUDGET

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DEPUTY CHIEF CONSULTANT
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MARK MARTIN
GENEVIEVE MORELOS

The 2020-21 budget in California will have to adjust to the realities of the impact of COVID-19 on our State. The immediate needs in response to the disaster force us to pause important work and priorities that predated the pandemic. And once the State begins to recover, we will have to adapt to a very different budget process in the Assembly. This memo provides an update on what the Committee's process might look like, going forward.

When we reconvene, we will have less money and less time to adopt a balanced budget. We know that as a result of the crisis, the State will see our revenues decline, even as we must increase spending to protect Californians. We will not be able to assess the full damage to our State's economy and our revenues until August, at the earliest. In addition, we must find a way to include the public in our deliberations - which, depending on when we return, may be condensed into a few short weeks.

This new reality will likely result in the following changes to the 2020 budget process:

- **June 15 Baseline Budget:** We expect the Governor's May Revision to become a "workload" budget that reflects 2019-20, or current, service levels. This means that if subcommittees were to meet right now, almost all new January 2020 budget proposals would not be heard. When we reconvene, we will no longer be able to consider new priorities and ideas from stakeholders, advocates and Members, with the exception of COVID-19 related costs, wildfire prevention, and homelessness funding. We may even need to revisit some reductions to existing state programs at that time, given the State's fiscal condition. Subcommittees will be directed to only agendaize items necessary to build this baseline budget, or items providing direct oversight of disaster response and recovery spending. The Assembly will also likely defer all deliberations on special fund programs, like those receiving Greenhouse Gas Reduction Funds, until after June 15.

- “August Revision”: With the delay in personal income tax receipts to July 15, we expect that we will not have a complete picture of our revenues until August. As a result, we expect to revisit the budget after June 15. This second round of budget deliberations will allow us to consider issues we will not have time to discuss in May and June, especially new issues related to recovery from the COVID-19 pandemic. Given the initial projections of the virus’s impact on the economy, it is possible the State will need to consider sizable ongoing reductions to major programs during this time. Therefore, Subcommittees will not likely be able to revisit proposals for new investments put forward by Members, the administration, advocates, and the public prior to this public health emergency.
- Deferring the Promises of 2020: When the 2020 budget process began, the State was expecting a small ongoing surplus that offered us a chance to expand additional services to Californians. While that is likely no longer possible this fiscal year, we are in better shape to address the expected recession compared to any other point in the State’s history. While we may face one or more difficult fiscal years ahead, the prudent decisions we made since the Great Recession will help us avoid the lingering structural budget problems that plagued the State before 2012. We may have some difficult choices in the coming months, but we will be able to return to the stability, optimism, and innovation that characterized the State budget over the last eight years if we remain responsible.

Thank you for your attention to this memo. As the situation evolves over the coming weeks, we will continue to update you on our thinking and planning about how to best move forward.