



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the Board of Directors

April 8, 2020

Mr. Ronald W. Sullivan, President
Mr. Randy Record, Board Member and Metropolitan Representative
Mr. Paul D. Jones II, General Manager/CEO
Eastern Municipal Water District
2270 Trumble Road
Perris, CA 92572-9300

Dear President Sullivan, Board Member Record, and General Manager Jones:

Thank you for your letter dated April 2, 2020. We appreciate the input from Eastern Municipal Water District (EMWD) on Metropolitan's budget and rate-setting process.

I hope you have had the opportunity to review the revised budget and rate proposal that staff recently sent to Metropolitan's Board. In response to the current COVID-19 pandemic crisis and the concerns expressed by several Metropolitan member agencies and their own agencies, Metropolitan staff proactively revised the budget and rate proposal.

The previous proposal called for an overall rate increase of 5% in 2021 and 5% in 2022. The current proposal calls for an overall rate increase of 3% in 2021 and 4% in 2022.

A number of other changes were made that are in line with actions suggested in your letter. The treated water sales assumption was increased by 50,000 AF and untreated water sales were reduced by the same amount. This was in response to information we have received from member agencies regarding the expected impact of PFAS and PFOS on groundwater supplies. The expected spend rate on capital projects in the CIP for the first year was reduced from 90% to 80% based on projections of COVID-19 delaying construction work. And staff reduced the amount of PayGo funding for the CIP as well.

Clearly, the damage from the COVID-19 pandemic crisis will be significant and far-reaching. How severe the impacts will be to the water industry is unknown at this time. We need to be responsive to the needs of our region and our communities in this time of crisis while ensuring that Metropolitan remains prepared to fulfill its mission of supplying Southern California with reliable, clean and healthy water.

I look forward to working with EMWD and all member agencies on adopting Metropolitan's budget and rates for the next two fiscal years. Thank you again for your input.

Messrs. Sullivan, Record and Jones

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Sincerely,

A handwritten signature in cursive script that reads "Gloria Gray".

Gloria D. Gray
Chairwoman of the Board

A handwritten signature in cursive script that reads "Jeff Kightlinger".

Jeffrey Kightlinger
General Manager

cc: Metropolitan Water District Board of Directors
Metropolitan Water District Member Agency Managers