

September 11, 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

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

RE: Board Memo 7-2: Adopt Twenty-Fourth Supplemental Resolution to the Master Bond Resolution authorizing the issuance of up to \$255 million of Water Revenue Bonds, 2020 Series or 2021 Series; and approve expenditures to fund the costs of issuance of the Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

– SUPPORT IF AMENDED TO AUTHORIZE THE ISSUANCE OF DEBT UP TO \$180 MILLION, CONSISTENT WITH THE ADOPTED BIENNIAL BUDGET

Dear Chairwoman Gray and Members of the Board:

We reviewed this month's Board Memo 7-2 seeking Board authorization to issue debt to support MWD's capital investment program (CIP). We are troubled that staff is asking the Board to authorize debt capacity exceeding the biennial budget we adopted less than three months ago.

We do not question MWD's need to implement the CIP or its plan to use bond proceeds to finance a portion of the CIP; however, we do not support staff's request for authorization to issue an amount of debt that is \$75 million more than the adopted budget.

The issuance of debt does not come without a cost. Board Memo 7-2 states that annual debt service on \$225 million of bonds is about \$14.5 million; this is \$4.3 million more in debt service cost than was planned for and budgeted. This recommendation, being made at the very same time many board members are asking staff to look for ways to reduce costs in order to reduce rates in light of COVID-19, is inconsistent with our cost containment goals.

We have learned since last April that the COVID-19 pandemic and its devastating economic impacts are not going away any time soon. While the [July seasonally unadjusted unemployment rate in Los Angeles County](#) was recently "improved" to 17.5 percent, it is still almost four times more than a year ago, and more than 30 percent more than the state's average. This week's [Los Angeles Times](#) article reporting on polling results underscores the fact that "nearly 3 in 10 reported serious problems paying their mortgage or paying their utility bills." We also know that [communities of color are being hit disproportionately hard by COVID-19](#).

Chairwoman Gray and members of the Board

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The relevant COVID-19 question isn't how MWD's member agencies are doing, it's how are the people are doing? We sincerely believe that it is time to show leadership by both reducing our expenditures and passing the rate savings on to all of our ratepayers.

For all of these reasons, we cannot support authorizing the issuance of debt in excess of our budget less than three months into our biennial budget cycle. We plan to request at next week's meetings that the Board consider an alternative motion to authorize the issuance of debt up to \$180 million, consistent with the adopted biennial budget.

Sincerely,



Jerry Butkiewicz
Director



S. Gail Goldberg
Director



Michael T. Hogan
Director



Tim Smith
Director

cc: Water Authority Board of Directors