



San Diego County Water Authority

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February 28, 2017

Mayor Tom Tait
City of Anaheim
200 S. Anaheim Blvd
Anaheim, CA 92805

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- City of Del Mar
- City of Escondido
- City of National City
- City of Oceanside
- City of Poway
- City of San Diego
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- Lakeside Water District
- Olivenhain Municipal Water District
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- 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

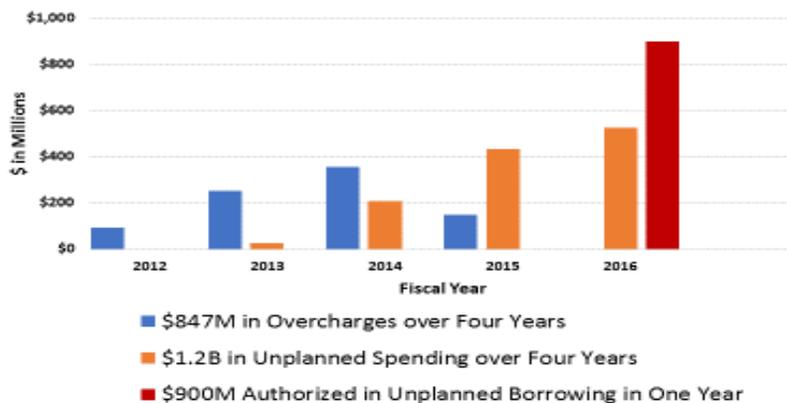
Dear Colleague:

When we began writing to you a few weeks ago, we hoped to start a dialogue about fiscal and governance concerns at the Metropolitan Water District of Southern California, and how they are impacting our ratepayers. We're glad to report the conversation is now under way.

In our last letter (Jan. 26, 2017), we commented on MWD's claim that it spent \$450 million on conservation and turf removal subsidies, **"without impacting water rates."** We showed that MWD overcharged ratepayers by \$847 million between 2012 and 2015 (i.e., revenue collected over and above budgeted expenses), thereby amassing a huge amount of money that MWD then spent on turf subsidies and other unbudgeted spending. Operating without a Long Range Finance Plan as it does, MWD's unbudgeted spending totaled almost \$1.2 billion over four years. In another move that will have long-term ramifications for all of our ratepayers, MWD also authorized \$900 million in new, unplanned debt.

Here's a summary of MWD overcharges, unplanned spending and unplanned borrowing:

MWD Overcharges, Unplanned Spending and Unplanned Borrowing, 2012-2016



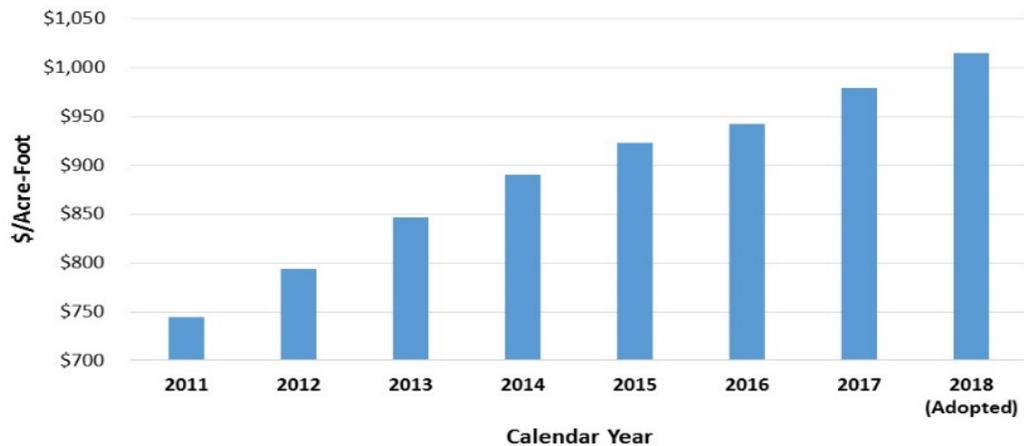
The fact that MWD collected \$847 million more than it needed means only one thing: *MWD's rates were higher than necessary.* Then, rather than hanging on to this money to avoid more rate increases, MWD chose to spend it -- almost \$1.2 billion in unplanned spending. MWD spent so

A public agency providing a safe and reliable water supply to the San Diego region

much money, so fast, that it nearly depleted its cash reserves below its minimum reserve levels. What did MWD do to cover its spending and replenish its cash reserves? It borrowed money: The MWD board authorized \$900 million in unplanned debt in less than a year.

As to MWD's claim that it could spend hundreds of millions of dollars **“without impacting water rates,”** below is a chart showing average annual increases of 4.5% in MWD's treated water rate since 2011.¹

MWD Rate Increases (Treated Tier 1) Compound Annual Rate Increase: 4.5%



We encourage you to talk to your MWD Board representative about these facts; if any are wrong, we will stand to be corrected. We know from experience how important the planning and budgeting process is to municipal government, and we believe you will agree with us that we need to demand more transparency and fiscal accountability from MWD. We also know how increasing water rates impact our businesses and residences. Given the chart above, it's apparent we should all ask more questions of our water wholesaler.

We have been asked where we come up with our numbers. The answer is: from MWD. For more details, go to www.MWDFacts.com/behind-the-numbers. We look forward to hearing from you. You can reach us at mmuir@sdewa.org.

Sincerely,

Chair, Board of Directors
San Diego County Water Authority
and Councilmember,
City of Encinitas

Vice-Chair, Board of Directors
San Diego County Water Authority
Former Councilmember, City of San Diego,
and Past President, League of California Cities

¹ Numbers are from MWD's website: <http://www.mwdh2o.com/WhoWeAre/Management/Financial-Information/Pages/default.aspx#tab2>