



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

*Office of the Board of Directors*

March 10, 2017

Mark Muir, Chairman  
Jim Madaffer, Vice Chair  
San Diego County Water Authority  
4677 Overland Avenue  
San Diego, California 92123

Dear Chair Muir and Vice Chair Madaffer:

The Metropolitan Water District of Southern California (Metropolitan) is in receipt of your February 28 letter sent to local elected officials throughout Metropolitan's service area criticizing our governance and fiscal decisions.

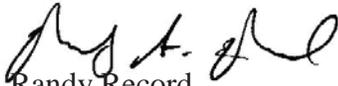
Before entering the recent historic drought, Metropolitan, as is our custom, set rates after an exhaustive study that was designed to recover anticipated costs. As the historic drought unfolded, Member Agencies began to request far more water than forecast. Our ability to meet this demand avoided tremendous economic hardship in San Diego and the entire Southland region.

Two significant investment opportunities arose in recent years, and Metropolitan's Board of Directors decided to take bold actions. We purchased valuable land assets in the Palo Verde Valley (which your agency unanimously supported) to support the reliability of our water supplies from the Colorado River. We purchased land in the heart of the Sacramento-San Joaquin Delta which is an important investment for multiple potential values consistent with the co-equal goals of a restored Delta and a reliable water supply from the State Water Project. In 2015 we responded to Governor Brown's emergency drought declaration by investing to transform Southern California landscapes to permanently lower outdoor water demand. The decline in demand that Metropolitan (and your agency, to a greater extent) has experienced is a good thing and part of a much broader conservation trend that bodes promise for all of us to withstand dry cycles and maintain adequate reserves in storage.

As we await the outcome of the litigation over Metropolitan's rate structure at the appellate court, Metropolitan has set aside disputed payments pursuant to our Exchange Agreement. Metropolitan used cash from its funds to purchase the Palo Verde and Delta properties. While the acquisitions resulted in Metropolitan issuing additional bonds, our per-capita debt ratio is 60 percent lower than your own agency. It is among the reasons why Metropolitan maintains some of the highest credit ratings of any government agency in California.

Thanks to the return of rains in California, we are now in the midst of storing more water this year than perhaps any year in our history. Our liquid reserves are being replenished at a financial value in the hundreds of millions of dollars, benefitting all of us. The investments our Board has made over the decades to advance a reliable water system for Southern California is paying dividends now and will continue in the decades to come. Attempts to contort this track record into a negative light are not succeeding. Our reliability and low water rates (50 percent lower than those of your agency) speak for themselves.

Sincerely,



Randy Record  
Chairman of the Board

Attachment

cc: Metropolitan Board of Directors  
Metropolitan Member Agency Managers  
San Diego County Water Authority Board of Directors  
Maureen Stapleton, General Manager, San Diego County Water Authority  
Melinda Cogle, Clerk of the Board, San Diego County Water Authority