

# METROPOLITAN: A TRADITION OF SOUND SPENDING



With a major public relations campaign throughout Southern California, the San Diego County Water Authority (SDCWA) is mischaracterizing Metropolitan's financial practices during the recent drought years as charging too much for water and spending too much on investments. Thanks to water Metropolitan had in reserve going into the drought, Southern California withstood the historic dry cycle without economic hardship and on [sound financial footing](#).

## METROPOLITAN ALWAYS SETS RATES TO COVER ANTICIPATED COSTS – AND NO MORE

- Metropolitan [sets rates](#) every two years based on an exhaustive [study](#) of future costs.
- Rates are based on an average of many potential weather conditions.
- Actual sales can vary significantly based on actual weather conditions.
- This is customary and part of Metropolitan's role as a supplemental supplier of Southland water.

## THE DROUGHT INCREASED DEMANDS ON METROPOLITAN RESERVES

- Member agencies can increase their demands on Metropolitan during droughts as their own supplies become limited.
- Metropolitan was able to meet the increased demand thanks to water held in the District's storage network.
- The result was higher-than-expected sales, not water "overcharges."



## METROPOLITAN SEIZED OPPORTUNITIES TO MAKE HISTORIC INVESTMENTS

- Unrelated to the drought, strategically important lands on the [Colorado River](#) and [Sacramento-San Joaquin Delta](#) became available.
- Metropolitan's Board of Directors decided to purchase these lands as valuable future assets.
- Related to the drought, Governor Brown declared a statewide emergency in April 2015.
- Metropolitan responded with the largest [turf removal program](#) in the nation, transforming thousands of landscapes and locking in cost-effective water savings for decades to come.

## LOW DEBT LOAD MAINTAINS FINANCIAL STABILITY

- Metropolitan purchased these investments with cash from its funds.
- In an unrelated matter, Metropolitan has been required to set aside disputed payments until a lawsuit over rates with SDCWA is resolved.
- While the land acquisitions resulted in Metropolitan issuing additional bonds, the overall level of debt for our size is manageable and much lower than that of SDCWA.
- Metropolitan maintains some of the highest Wall Street credit ratings of any government agency in California.
- With the wet winter now allowing Metropolitan to replenish its water reserves, the District will be able to store valuable new water supplies for future droughts.

# MISINFORMATION ABOUT METROPOLITAN FINANCES

SDCWA in 2017 began the unusual step of writing letters to local officials outside of its service area. The letters contain misrepresentations that question Metropolitan investments and financial practices. SDCWA has hired a public relations firm for approximately \$50,000 a month, apparently to conduct public relations critical of Metropolitan. The following summarizes the misrepresentations and Metropolitan's track record on the subject.

## SDCWA allegation: Metropolitan charges too much for water

- **Metropolitan over the years has always set its rates to recover anticipated costs, including anticipated sales of our imported water supplies.**
- During the recent drought years, member agencies purchased far more supplies from Metropolitan than anticipated because their own supplies became limited.
- Metropolitan met those higher demands, including all requests from SDCWA.
- SDCWA through a lawsuit is seeking to shift costs for its own Colorado River water acquisition onto MWD's 25 other member agencies over the coming years, a plan it is not mentioning in its public relations campaign in other communities.

## SDCWA allegation: Metropolitan made unplanned investments

- **Metropolitan seized on three major unanticipated opportunities during the drought.**
- To support the reliability of imported supplies from the Colorado River, Metropolitan purchased land in the Palo Verde Valley for \$264 million.
  - SDCWA voted in favor of this "unplanned" investment.
- To help accelerate a shift away from lawns to California Friendly® landscapes, Metropolitan funded the nation's largest turf removal program.
  - The cost of this water savings is estimated to be far less than developing new water.
- Metropolitan purchased four Delta islands for multiple potential values consistent with the co-equal goals of a restored Sacramento-San Joaquin Delta and a reliable water supply from the State Water Project.
  - The lands are potentially vital for the proposed California WaterFix project, habitat restoration or other possible uses.

## SDCWA allegation: Metropolitan has too much debt

- **Metropolitan has a manageable debt load that has actually declined in recent years compared to overall assets.**
- SDCWA for its size has a much greater debt load than Metropolitan.
- Metropolitan maintains high credit ratings in part because of the very same water rates and sound financial practices criticized by San Diego.

## WHO IS METROPOLITAN

The Metropolitan Water District of Southern California is a state-established cooperative of 26 member agencies – cities and public water agencies – that serve nearly 19 million people in six counties. Metropolitan imports water from the Colorado River and Northern California to supplement local supplies and helps its members develop increased water conservation, recycling, storage and other resource-management programs.

## OUR MISSION

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

### The Metropolitan Water District of Southern California

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