



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the Board of Directors

April 20, 2016

Response to Letters Received on Metropolitan's Proposed Budget and Rates

I appreciate your taking the time to share your comments and views on the Metropolitan Water District of Southern California's fiscal year 2016-17 and 2017-18 biennial budget and calendar year 2017 and 2018 water rates and charges. As a public agency, we appreciate and welcome your input as part of an informed discussion to promote sound fiscal management and meet our region's water management priorities.

The budget and rate adoption process is comprehensive and was conducted this year from January to April, 2016, through a series of five public workshops, one public hearing and a board meeting where public testimony was provided and considered. Detailed information, including the proposed budget, proposed rates and charges, cost of service analysis, and cost of service report, was made available to the public on our website during the process and was considered by the Metropolitan Board of Directors.

Metropolitan's water rates and charges are determined using a methodology that is based on industry guidelines, in the context of a wholesale water supplier. The methodology was adopted by the Board of Directors in 2001, after a multi-year, public process. The methodology provides the nexus between Metropolitan's expenditures and its rates and charges, and Metropolitan's member agencies each have unique usage characteristics that are captured in these rates and charges.

On April 12, 2016, the Board of Directors adopted a \$1.65 billion budget for fiscal year 2016-17 and a \$1.69 billion budget for fiscal year 2017-18, with associated 4 percent average increases in Metropolitan's wholesale water rates in calendar years 2017 and 2018. The Board also took steps to maintain the property tax rate at its current level and to form a working group to explore the possibility of a different approach in the future to recover treated water costs.

It is important to realize that the wholesale water rates charged by Metropolitan to its 26 member agency customers – cities and public water agencies – are not the rates paid by residents and businesses in San Diego County and elsewhere in Southern California. For instance, the San Diego County Water Authority (SDCWA), a wholesale water agency like Metropolitan, sets the rates it charges its member agency customers, and those member agencies then set their own retail water rates which are paid by residents and businesses. As an example, for untreated water, Metropolitan's melded charge to SDCWA for 2016 is \$511 per acre foot. SDCWA then charges its member agencies a melded untreated water rate for 2016 of \$1,159 per acre foot, more than doubling Metropolitan's charge.

Again, thank you for participating in this process. Additional information on Metropolitan's fiscal year 2016-17 and 2017-18 budget and calendar year 2017 and 2018 rates and charges is available at www.mwdh2o.com/WhoWeAre/Pages/FY-2016-17-and-FY-2017-18.aspx.

Sincerely,

A handwritten signature in black ink, appearing to read "Randy Record". The signature is fluid and cursive, with a large initial "R" and a long, sweeping tail.

Randy Record
Chairman of the Board