



● **Board of Directors**
Finance and Insurance Committee

2/8/2022 Board Meeting

7-1

Subject

Set combined public hearing regarding: (1) the proposed water rates and charges for calendar years 2023 and 2024 necessary to meet the revenue requirements for fiscal years 2022/23 and 2023/24, and (2) review of the applicability of the MWD Act Section 124.5 ad valorem property tax limitation for fiscal years 2022/23 through 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan's process to set water rates and charges includes the opportunity for interested parties to provide comments. Section 4304, paragraph (c), of the Administrative Code provides that the Finance and Insurance Committee will hold a meeting for interested parties to present their views on the proposed rates and charges. Section 124.5 of the Metropolitan Water District Act (the MWD Act) requires that the Board of Directors hold a hearing prior to its consideration of whether that section's limit should apply to the ad valorem property tax rate. Staff recommends that the Board schedule a combined public hearing on March 8, 2022, to receive public comments on these related matters. A separate Information Letter (February 8, 2022 Board Information Item 9-2) presents information regarding the proposed biennial budget, rates and charges necessary to meet the revenue requirements, staff's recommendation regarding the applicability of Section 124.5 on ad valorem property tax rates, ten-year financial forecast, and a Cost of Service Report supporting the proposed rates and charges.

Details

Background

Pursuant to Administrative Code Section 4304, the Finance and Insurance Committee (Committee) receives presentations at its February meeting regarding the biennial budget (which includes the Capital Investment Plan or CIP), revenue requirements, and cost of service analysis supporting the rates and charges required during the next biennial period, and recommendations regarding the rates and charges for water service required to meet the revenue requirements. Pursuant to Section 4304, the Committee also holds a public hearing, and may set multiple public meetings, at which interested parties may present their views to the Committee regarding the recommended water rates and charges. The Committee must set the time or times for such public hearing to be held prior to its regular April meeting and before the Committee makes its recommendations to the Board. The Committee directs the General Manager to cause the publication of a notice of the public hearing in newspapers of general circulation within Metropolitan's service area at least ten days prior to the hearing.

Section 124.5 of the MWD Act authorizes the Board to hold a hearing to consider whether that section's limit on ad valorem property tax rates should apply. Notice of this hearing must be given to the offices of the Speaker of the Assembly and the President pro tempore of the Senate at least ten days prior to the hearing.

The two public hearings involve issues relevant to Metropolitan's rates, charges, and property taxes, and are therefore related to the budget and specifically to the revenue requirements. Staff recommends that the meetings be combined and scheduled for the Board's regular meeting on March 8, 2022. This will provide the opportunity for all interested parties to submit comments on the same date pertaining to the financial matters pertinent to the budget, rates and charges necessary to meet the revenue requirements, and any limit on ad valorem property tax rates. Parties will not be required to make separate appearances on different dates.

In addition to the proposed public hearing, additional Committee meetings and workshops will allow for further opportunities for public comment. The following proposed schedule of meetings will involve presentations and discussion of the proposed biennial budget for fiscal years 2022/23 and 2023/24 and proposed rates and charges for calendar years 2023 and 2024:

February 7, 2022	F&I Committee, Workshop #1
By February 25, 2022	Notice to Legislature regarding public hearing regarding review of Section 124.5 applicability; notice to member agencies regarding proposed budget, rates, and charges
February 22, 2022	F&I Committee, Workshop #2
March 7, 2022	F&I Committee, Workshop #3
March 8, 2022	Public hearing on proposed water rates and charges and applicability of the tax rate limit for fiscal years 2022/23 through 2025/26 pursuant to Section 124.5 of the MWD Act
March 22, 2022	F&I Committee, Workshop #4, if needed
April 11, 2022	F&I Committee, Proposed Biennial Budget and Calendar Year rates and charges; Workshop #5, if needed
April 12, 2020	Board action regarding Biennial Budget and Calendar Year rates and charges

Recommendation

Staff recommends that the Board schedule a combined public hearing on March 8, 2022, at the regular meeting of the Board, at which interested parties may provide comments regarding Metropolitan's proposed rates and charges to be effective January 1, 2023, and January 1, 2024, and input regarding the recommended Board action on the applicability of the tax rate limit on ad valorem property taxes for fiscal years 2022/23 through 2025/26 pursuant to Section 124.5 of the MWD Act. By setting the hearing, the Board is also directing the General Manager to cause publication of a notice of the meeting in newspapers of general circulation within Metropolitan's service area and provide written notice to the state Legislature, at least ten days before the hearing.

Policy

Metropolitan Water District Act Section 124.5: Ad Valorem Tax Limitation

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates

Metropolitan Water District Administrative Code Section 5107: Biennial Budget Process

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

California Environmental Quality Act (CEQA)

CEQA determination for Option #1 and Option #2:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). Finally, it can be seen with certainty that there

is no possibility that the proposed action may have a significant effect on the environment, therefore the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

Board Options

Option #1

Set a combined public hearing on March 8, 2022, regarding: (1) the proposed water rates and charges for calendar years 2023 and 2024 necessary to meet the revenue requirements for fiscal years 2022/23 and 2023/24, and (2) review of the applicability of the MWD Act Section 124.5 ad valorem property tax limitation for fiscal years 2022/23 through 2025/26.

Fiscal Impact: None

Business Analysis: Setting a combined public hearing allows the public to comment on both proposed rates and charges, as well as the applicability of a limit on ad valorem property tax rates. The combined hearing is proposed for a date after the publication in late January 2022 of the proposal for budget, rates, charges, and supporting material, which are based on maintaining the existing tax rate. The combined hearing is also set in advance of the Board’s consideration of the proposal in April 2022.

Option #2



Set either separate or combined public hearings on a different date or dates, so long as the hearing on proposed rates and charges is set to be held at least 10 days prior to the Finance and Insurance Committee and the Board’s regular April meeting.

Fiscal Impact: None

Business Analysis: Hearings should be set in time to allow review of the proposed budget, rates, charges, and supporting material, which are based on maintaining the existing tax rate. Hearings should also be set in advance of the Board’s consideration of the proposal in April 2022.

Staff Recommendation

Option #1

	1/24//2022
_____ Katano Kasaine Assistant General Manager/ Chief Financial Officer	Date
	1/26/2022
_____ Adel Hagekhalil General Manager	Date