

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND INSURANCE COMMITTEE

February 07, 2022

Vice Chair Record called the teleconference meeting to order at 8:30 a.m.

Members present: Vice Chair Record, Directors Blois, Dennstedt, Dick, Faessel, Goldberg, Hawkins, Jung, Ortega, Quinn, Smith, and Tamaribuchi.

Members absent: Director Ramos

Other Board Members present: Chairwoman Gray, Directors Abdo, Atwater, Cordero, De Jesus, Erdman, Fellow, Fong-Sakai, Kurtz, Lefevre, Miller, Morris, Peterson, and Sutley.

Committee Staff present: Beatty, Hagekhalil, Kasaine, Ros, Scully, Upadhyay

1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

Caty Wagner, Sierra Club, commented in support of the \$500 million state budget request for the recycled water program.

The following correspondence commenting on Item 7-1 was received and will be made part of the record: Chris Gilbert, dated February 2, 2022 at 1:26 p.m.; Mark Hattam of San Diego County Water Authority, dated February 3, 2022 at 4:45 p.m. Sydney Pitcher dated February 5, 2022 at 11:24 p.m.; and Karen Jacques, dated February 6, 2022 at 10:21p.m.

CONSENT CALENDAR ITEMS — ACTION
--

2. CONSENT CALENDAR OTHER ITEMS – ACTION

- A. Subject: Approval of the Minutes of the Meeting of the Finance and Insurance Committee held October 11, 2021

3. CONSENT CALENDAR ITEMS – ACTION

The General Manager, Adel Hagekhalil, addressed the Committee with an overview of the proposed budget. His statement included goals and an overview of rate increases.

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

Motion: 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

Presented by: Katano Kasaine, Assistant General Manager/Chief Financial Officer
Ms. Kasaine introduced the item and staff was available for any questions.

The following Directors provided comments or asked questions:

1. Goldberg
2. Fong- Sakai
3. Smith

Staff responded to the Directors' questions and comments.

Katano Kasaine noted that a letter, dated February 3, 2022, was received from the San Diego County Water Authority commenting on Item 7-1. She stated staff will respond to their questions at the March workshop. This item will be made part of the record.

Director Dennstedt made a motion, seconded by Director Blois, to approve the consent calendar consisting of items 2A and 7-1.

The vote was:

Ayes: Directors Blois, Dennstedt, Dick, Faessel, Goldberg, Hawkins, Jung, Ortega, Quinn, Record, Smith, and Tamaribuchi

Noes: None

Abstentions: None

Absent: Directors Ramos

The motion passed by a vote of 12 ayes, 0 noes, 0 abstain, and 1 absent.

END OF CONSENT CALENDAR ITEMS

4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

9-2 Subject: Proposed biennial budget, which includes the Capital Investment Plan and revenue requirements for fiscal years 2022/23 and 2023/24; proposed water rates and charges for calendar years 2023 and 2024 to meet revenue requirements for fiscal years 2022/23 and 2023/24; ten-year forecast; and Cost of Service Report (Workshop #1)

Presented by: Katano Kasaine, Assistant General Manager/Chief Financial Officer
Deven Upadhyay, Assistant General Manager/Chief Operating Officer
Arnout Van den Berg, Section Manager- Revenue & Budget
Lisa St. Regis, Unit Manager- Budget

Ms. Kasaine presented the committee with an overview of the proposed biennial budget for Fiscal Years 2022/23 and 2023/24, which included strategic priorities, highlights, and goals.

Mr. Upadhyay presented the committee with an overview of Metropolitan's projected water transactions.

Mr. Van den Berg presented the committee with an overview of the budget development. He presented the proposed revenue requirements, proposed rate elements and charges, and proposed full-service rates and charges. Next, he provided an overview of the proposed biennial budget, which included revenue and expenditure trends.

Ms. St. Regis presented the Operations and Maintenance (O&M) expenditure budget.

Mr. Van den Berg continued the presentation with an overview of the ten-year financial forecast, which included projected rate increases and financial metrics, projected water rates and charges, revenue forecast, expenditure trend, State Water Contract forecast, demand management, capital investment plan expenditures, outstanding debt, and debt service.

Ms. Kasaine concluded the presentation with the next steps.

The following Directors provided comments or asked questions:

1. Ortega
2. Sutley
3. Smith

4. Faessel
5. Fong-Sakai
6. Miller

Staff will respond to Directors' comments and questions at the next workshop.

6. COMMITTEE ITEMS

- a. Subject: Quarterly Financial Report
Presented by: Bernadette Robertson, Controller

Ms. Robertson presented the committee with Metropolitan's quarterly financial report for the period ending December 31, 2021. The report included cumulative water transactions in acre-feet, revenues, and expenses. Ms. Robertson also reported on reimbursable costs and Operations & Maintenance costs for the Delta conveyance project through December 2021.

- b. Subject: Quarterly Investment Activities Report
Presented by: Samuel Smalls, Manager of Treasury & Debt Management

Ms. Kasaine introduced the item and Mr. Smalls presented the committee with an overview of Metropolitan's liquidity portfolio through December 31, 2021. The report included credit quality, sector allocation, maturities, and total returns.

7. MANAGEMENT REPORT

- a. Subject: Chief Financial Officer's report
No report was given.

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEM

None

10. ADJOURNMENT

The next workshop will be held on February 22, 2022.

Meeting adjourned at 10:28 a.m.

Randy Record
Vice Chair

Taxes on Water Rates Correspondence Received 2022

Ref No.	DateReceived	Time Received	Position	Name	Organization	Email	Date Sent to BOD
1	2/2/2022	1:26 PM	Opposed	Chris Gilbert		mailto:chris@gilbertbiz.com	2/7/2022
2	2/3/2022	4:45 PM	Opposed	Mark Hattman	San Diego Water Authority		2/7/2022
3	2/5/2022	11:24 PM	Opposed	Sydney Pitcher		syditude@gmail.com	2/7/2022
4	2/6/2022	10:21 PM	Opposed	Karen Jacques		threegables1819@gmail.com	2/7/2022

From: [Chris Gilbert](#)
To: [DL-Board Support Team](#)
Subject: comments
Date: Wednesday, February 2, 2022 1:26:50 PM

Please forward to the Board & Finance and Insurance Committee:

It's important to start to become self-sufficient in water. Lack of water and lack of snow pack will not provide the quantities of water that can be imported as in the past, from the Colorado and from N. California. Don't throw money at solutions that won't work anymore.

- Do not raise taxes or water rates unless it is to pay for local conservation programs
- Do not to spend money on new imported water projects, like increased funding for the Delta Conveyance Design and Construction Authority, or Delta Conveyance planning or permitting

Chris Gilbert

February 3, 2022

MEMBER AGENCIES

Carlsbad
Municipal Water District
City of Del Mar
City of Escondido
City of National City
City of Oceanside
City of Poway
City of San Diego
Fallbrook
Public Utility District
Helix Water District
Lakeside Water District
Olivenhain
Municipal Water District
Olay Water District
Padre Dam
Municipal Water District
Camp Pendleton
Marine Corps Base
Rainbow
Municipal Water District
Ramona
Municipal Water District
Rincon del Diablo
Municipal Water District
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

VIA E-MAIL

Marcia Scully, General Counsel
Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, CA 90012
(mscully@mwdh2o.com)

RE: Board memo 7-1: 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

Dear Ms. Scully:

Under the above-referenced Board Memo 7-1, the MWD Board of Directors next week will consider setting a public hearing on suspension of MWD Act Section 124.5 tax rate limitations for a four-year period for fiscal years 2022/23 through 2025/26. Section 124.5 has a required finding that the collection of property taxes in excess of the statutory limitation is "essential to the fiscal integrity of the district." This determination must be made by the Board of Directors based on evidence in the record. We have the following concerns and objections.

First, we question whether MWD's public notice regarding "review of the applicability" of Section 124.5 provides legally sufficient notice about the real issue at hand, which is whether the statutory property tax limitation – which would otherwise reduce the amount of property taxes assessed and paid in the MWD service area – should be suspended. We reiterate this concern but will not debate the merits again since we have previously exchanged correspondence¹ on this point.

The second concern we have is with the new recommendation by staff to suspend the tax rate limitation for a *four-year period*. When MWD first began suspending the statutory tax reduction in 2014, it provided for an annual public hearing. Beginning in 2016, staff began to conduct a public hearing only once every two-years, as part of the biennial budget process. Now, staff is recommending that the board action cover a four-year period, for fiscal years 2022/23 through 2025/26. We do not believe that it will be possible for the Board to make the requisite evidentiary finding that suspension of the

¹ [Water Authority letter dated February 8, 2020](#) and [MWD letter dated February 10, 2020](#).

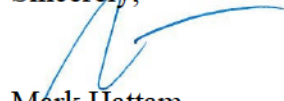
Ms. Scully
February 3, 2022
Page 2

tax rate limitation is essential to the fiscal integrity of the district so far into the future, or for a period longer than the biennial budget under consideration.

Finally, we are concerned that the schedule presented in Board Memo 7-1 will not provide the public, MWD's member agencies, or even the Board itself with the requisite information in time for the public hearing. Board Memo 7-1 references February 8, 2022 Board Information Item 9-2, but that Memo is not yet posted on the website. Are we correct to assume that the complete budget proposal will at least be presented before next week's workshop #1? We are concerned because the February 22 workshop is only two weeks prior to the public hearing and the third workshop on March 7 is one day before the public hearing. If any new information is presented at or in connection with the second and third workshops, there is no practical ability or opportunity for member agencies or the public at large to engage or even for the board itself to review all of the information and make the requisite determination under Section 124.5.

Thank you for your consideration of these matters.

Sincerely,



Mark Hattam
General Counsel

cc: Sandy Kerl, Water Authority GM
Adel Hagekhalil, MWD GM
Water Authority Board of Directors
MWD Board of Directors

-----Original Message-----

From: Sydney Pitcher <syditude@gmail.com>

Sent: Saturday, February 5, 2022 11:24 PM

To: DL-Board Support Team <DL-BoardSupportTeam@mw2h.com>; catywagner@gmail.com

Subject: Taxes on water rates.

Hello, my name is Sydney and I have some requests and concerns I would like for you to share with other board members this Monday. First of all, I request you do not raise taxes on water rates unless it will fund local and sustainable water projects such as stormwater capture, recycled water, groundwater recharge and maybe brackish water desalination. I also request your board does not spend money on any more imported water projects such as the Delta Tunnel or Sites Reservoir.

By implementing rain harvesting and stormwater capture systems in buildings and helping residents install them, we can greatly reduce the amount of stormwater running into our waterways and carrying toxic pollution along with it as well as helping home owners save money. If California greatly increases the amount of local water saving initiatives, we can save millions of dollars every year along with reducing California's energy use and carbon emissions. We can also reduce flooding by placing porous pavement in areas susceptible to flooding and instead, the water would absorb into the ground, helping to restore our ground water.

I oppose the Delta Tunnel because there is no guarantee that with climate change and more severe, frequent droughts that we are going to be able to depend on shipping water from Northern to Southern California. I'm very concerned that tens of billions of dollars will be wasted on a tunnel that may not be able to withstand corrosive sea level rise and or earthquakes. There are numerous species like the chinook salmon that are gravely threatened with extinction and I fear that these projects will withdraw more water out of places like the Sacramento River that are already water stressed. Due to hotter temperatures, more water from the tunnel will evaporate from the Sites Reservoir and we must find more sustainable ways to make it so that water flows into reservoirs. This is where storing water underground or in tanks can help reduce evaporation. We can even help farmers implement massive rainwater storage systems so they can water crops in the dryer months. I'm also concerned that some of the dams are contributing to the massive salmon die off and I request that we look into which ones are able to be taken down in order to help restore the population.

Please forward this message to the rest of the board members so they can review and look at it. If the reason for wanting to push through with the Delta Tunnel is the creation of numerous jobs, I want to point out that there are more sustainable, efficient and cost effective water projects we can promote that will also create new jobs. Thank you for your time and hope I can hear back if any of you get a chance to respond.

Sent from my iPad

This communication, together with any attachments or embedded links, is for the sole use of the intended recipient(s) and may contain information that is confidential or legally protected. If you are not the intended recipient, you are hereby notified that any review, disclosure, copying, dissemination, distribution or use of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return e-mail message and delete the original and all copies of the communication, along with any attachments or embedded links, from your system.

-----Original Message-----

From: Karen Jacques <threegables1819@gmail.com>

Sent: Sunday, February 6, 2022 10:21 PM

To: DL-Board Support Team <DL-BoardSupportTeam@mwdh2o.com>

Subject: Do Not Raise Taxes or Water Rates Except to Pay for Local Projects

The comments in this email are addressed to Monday February 7th meeting of MWD's Finance and Insurance Committee. Please forward them.

Climate change models predict that temperatures in California will continue to rise and that drought will become longer and more frequented, punctuated by extreme rain events. They also predict that the snow pack in the Sierra will likely be completely gone by mid-century. Conditions may be more or less extreme depending on how quickly California, our country and the world take action to address the climate crisis. They do not bode well for the long term effectiveness of a water system (including the proposed new Delta tunnel) that is based on the southern part of the state continuing to get the bulk of its water from the northern part of the state.

Given this reality, the best and most cost effective thing that the water districts that Metropolitan serves can do is to take action at the district level to conserve and recycle water and recharge local aquifers. Doing this is the most effective use of property tax and rate payer money because it will lead to sustainability at the local level rather than being dependent on receiving the bulk of their water from Northern California via a complex conveyance system which will be extremely costly to build and maintain and likely won't have enough water to meet their needs. Water districts have to choose how to best spend their money. If they spent the bulk of their money on constructing and maintaining the proposed Delta tunnel, they won't have that money to spend on much more cost effective local measures. Los Angeles has put significant resources into building local water sustainability and, as a result, has reduced its per capita water use such that it has more than doubled in population while still using roughly the same amount of water. Other water districts that are part of WMD would be wise to emulate Los Angeles rather than pouring their resources into long distance water transport, especially given that, as heat and drought increase, there may be little or no available water to transport.

Spending money on local projects is also the best guarantee of resiliency. Natural disasters caused by the climate crisis could potentially put sections of a complex conveyance system out of operation for long periods of time as could an earthquake anywhere along the conveyance system route. It could take months or years to repair such damage. Damage to local projects could be repaired much more quickly and cost effectively and would impact far fewer people, making them much easier to deal with.

Thank-you for this opportunity to comment.

Karen Jacques,
Sacramento, California

This communication, together with any attachments or embedded links, is for the sole use of the intended recipient(s) and may contain information that is confidential or legally protected. If you are not the intended recipient, you are hereby notified that any review, disclosure, copying, dissemination, distribution or use of this communication is strictly prohibited. If you have received this communication in error, please notify the sender

immediately by return e-mail message and delete the original and all copies of the communication, along with any attachments or embedded links, from your system.