



COUNTY OF SAN DIEGO

BOARD OF SUPERVISORS

1600 PACIFIC HIGHWAY, ROOM 335, SAN DIEGO, CALIFORNIA 92101-2470

AGENDA ITEM

DATE: March 22, 2017

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TO: Board of Supervisors

SUBJECT: RESOLUTION IN SUPPORT OF THE SAN DIEGO COUNTY WATER AUTHORITY'S LONGTERM WATER SUPPLY PLAN AND LITIGATION AGAINST THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA (DISTRICTS: ALL)

Overview

The San Diego County Water Authority ("Water Authority") and its member agencies strive to provide the San Diego region with a reliable water supply at a reasonable cost. The Water Authority is a member agency of the Los Angeles based Metropolitan Water District of Southern California ("MWD"), which has historically supplied the Water Authority with water imported from the Colorado River and through the State Water Project.

Over recent decades, the Water Authority and its member agencies have successfully transformed the San Diego region's dependency upon MWD. According to the Water Authority, this transformation caused MWD to actively work against the Water Authority through the establishment of rates and charges intended to penalize San Diego and its water diversification efforts. The Water Authority estimates the sum of overcharges could cumulatively total more than \$7 billion by 2040.

The Water Authority contends MWD's questionable financial practices and continuous overcharging, while the Water Authority has committed to provide a reliable, cost-certain and diverse water supply for the sustained prosperity of all San Diego County residents and business enterprises.

Today's action will officially support the Water Authority and its member agencies in litigation against MWD in order to recover illegal expenses that have consequently been passed on to ratepayers.

Recommendation(s)

CHAIRWOMAN DIANNE JACOB & VICE-CHAIRWOMAN KRISTIN GASPAR

1. Receive a presentation from the San Diego County Water Authority.

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2. Adopt a resolution entitled "A Resolution of the San Diego County Board of Supervisors Supporting the San Diego County Water Authority's Long Term Water Supply Plan and Litigation against the Metropolitan Water District of Southern California" (Attachment A).

Fiscal Impact

There is no fiscal impact and there will be no additional staff years.

Business Impact Statement

N/A

Advisory Board Statement

N/A

Background

San Diego County's 3.3 million people depend on the San Diego County Water Authority ("Water Authority") and its member agencies to provide a reliable water supply at a reasonable cost. The Water Authority is a member agency of the Los Angeles based Metropolitan Water District of Southern California ("MWD"), which has historically supplied the Water Authority with water imported from the Colorado River and through the State Water Project.

The Water Authority relates the following history of its relationship with MWD. Following a severe drought, in which San Diego County experienced 31% cutbacks in 1991 and was threatened with 50% water supply cutbacks by MWD, a Declaration of Water Independence and Reliability was declared on July 3, 1996. Over the past 20 years, the Water Authority and its member agencies have successfully transformed the San Diego region from being 95% dependent on MWD in 1990 to approximately 20% by 2020. MWD has fought against the actions the Water Authority has taken to reduce its MWD water purchases, including establishing rates and charges intended to penalize San Diego and its diversification efforts. These overcharges could cumulatively total more than \$7 billion by 2040.

The Water Authority has filed four separate lawsuits against MWD challenging these rates. The Water Authority has informed us that a San Francisco Superior Court judge has already ruled in the first two cases that MWD's rates are illegal; awarded the Water Authority more than \$243 million in damages, costs, pre-judgment interest and attorneys' fees; and directed MWD by writ of mandate to set lawful rates. MWD has appealed the Court's ruling; denies that it is required to limit its rates to no more than the cost of the services it provides; and has not changed its rates in response to the Court's ruling.

The Water Authority also alleges that MWD continues to engage in a number of highly questionable financial practices, including: overcharging ratepayers \$847 million from 2012-2015, with San Diego County residents and businesses being overcharged \$189 million of that amount; spending more than \$1.2 billion outside of its adopted budgets from 2013-2016; and,

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making plans to spend billions more without having any plan for how it will allocate these costs. MWD's current financial practices present a grave risk to the people and economy of Southern California.

A reliable, cost-certain and diverse water supply is vital to the sustained prosperity of all San Diego County citizens and business enterprises. Therefore, adopting today's resolution extends support for the Water Authority's rate litigation against MWD that is necessary to recover illegal rates and charges that may be assessed by MWD, now and in the future.

Linkage to the County of San Diego Strategic Plan

N/A

Respectfully submitted,

DIANNE JACOB
Chairwoman, Second District

KRISTIN GASPAR
Vice-Chairwoman, Third District

ATTACHMENT(S)
Attachment A – Resolution

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AGENDA ITEM INFORMATION SHEET

REQUIRES FOUR VOTES: Yes No

WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED
 Yes No

PREVIOUS RELEVANT BOARD ACTIONS:
N/A

BOARD POLICIES APPLICABLE:
N/A

BOARD POLICY STATEMENTS:
N/A

MANDATORY COMPLIANCE:
N/A

ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION NUMBER(S):
N/A

ORIGINATING DEPARTMENT: Districts 2 and 3, Board of Supervisors

OTHER CONCURRENCES(S): County Counsel Review Yes [] No

CONTACT PERSON(S):

Taylor Dupont

Name
619-531-5522

Phone
Taylor.Dupont@sdcounty.ca.gov

E-mail

Jason Paguio

Name
619-531-5533

Phone
Jason.Paguio@sdcounty.ca.gov

E-mail