



May 12, 2020

Mr. Robert Hunter, General Manager
Municipal Water District of Orange County
P.O. Box 20895
18700 Ward Street
Fountain Valley, CA 92708

Re: Proposed MWDOC Fiscal Year 2020-21 Budget, Rate Resolution, and Ordinance

Rob:

On May 13, MWDOC staff will review a fourth draft of the MWDOC Fiscal Year (FY) 2020-21 budget, along with a rate resolution and ordinance, with the Administration and Finance Committee. The purpose of this letter is to provide written recommendations to you and the MWDOC Board related to proposed budgets for the development of a hydraulic model and economic benefits studies, and to express appreciation for recent revisions to the proposed resolution and ordinance.

Rate Resolution and Ordinance:

At recent MWDOC Member Agency Managers meetings there were significant discussions on MWDOC's proposed rate resolution and ordinance where MWDOC was proposing to codify a drastic expansion of its scope. At the meetings, the IRWD and other Member Agencies expressed concerns about a lack of transparency on these changes as well as major concerns over the need for such expansions in scope. The discussions were productive and MWDOC staff was supportive of the need to remove proposed revisions to both the resolution and ordinance.

The proposed rate resolution and ordinance presented to the Committee include revisions that address IRWD's concerns, and we appreciate MWDOC staff's accommodation of the related requests of IRWD and other Member Agencies.

Budget Recommendations:

The following are specific budget-related recommendations pertaining to the development of a county-wide hydraulic model and conducting economic benefits studies.

Proposed Hydraulic Model:

At the MWDOC Policy and Operations Committee meetings on March 2 and May 4, Member Agencies in attendance made it clear that they did not support the development of the regional hydraulic model as a "Core" project. The agencies argued that if MWDOC does not develop the

Mr. Robert Hunter, General Manager
Municipal Water District of Orange County
May 12, 2020
Page 2

model as a “Choice” project, significant portions of the model development costs should be recovered from future project proponents that use the model. This “Core / Choice” issue continues to be of concern among the Member Agencies. At the MWDOC Member Agencies meeting that was held on April 30, the question was posed to all the Member Agencies on whether the hydraulic model should be developed as a “Core” project. In response to the question, none of the Member Agencies indicated support for the development of the hydraulic model as “Core” project.

Alternatively, IRWD restates its suggestion that if MWDOC intends to proceed with building the hydraulic model as a “Core” project, it should work with the Member Agencies to develop a simple methodology to recover a significant share of the model development costs from future proponents of new water resource projects.

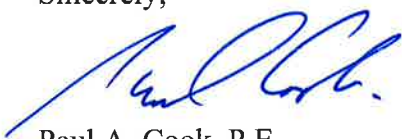
Economic Benefits Studies:

On April 23 and April 30, MWDOC staff and the Member Agencies met to discuss multiple issues, including the proposed economic benefit studies. IRWD remains concerned that comments provided to MWDOC staff on the economic benefit studies were received but not considered. Not one Member Agency has provided comments in support of the studies. Furthermore, all comments provided have been in strong opposition to the studies. Meaningful dialogue has yet to occur between MWDOC staff and the Member Agency Managers to resolve these differences. It appears to many agencies, including IRWD, that MWDOC staff intends to push forward with the studies. Not surprisingly, these discussions have resulted in fundamental disagreements resurfacing over the role of MWDOC and need for an acceptable approach to funding MWDOC’s programs and projects.

Prior to MWDOC approving moving forward with the Economics Benefits Studies, the underlying issues related to the role of MWDOC and the need for an acceptable “Core and Choice” funding policy should be addressed first. We believe that proceeding with the studies without resolution of the issues will only serve to exacerbate the tension and conflict between MWDOC and its Member Agencies. Accordingly, IRWD requests the Committee remove the Economics Benefits Studies from the FY 2020-21 Budget for professional fees and recommend to the Board that meaningful discussions with the Member Agencies be initiated to development of an acceptable “Core and Choice” funding policy.

Please provide a copy of this letter to all members of the MWDOC Board of Directors. If you have any questions, please contact me at (949) 453-5590.

Sincerely,



Paul A. Cook, P.E.
General Manager