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March 30, 2022

Honorable Brian S. Probolsky  
President  
Moulton Niguel Water District  
P.O. Box 30203  
Laguna Niguel, CA 92607

### **Subject: Moulton Niguel Water District's Comments on the Proposed Metropolitan Budget & Rate Refinement**

Dear President Probolsky,

Thank you for your March 7 comment letter on the Metropolitan Water District's proposed Biennial Budget and Rates, along with MNWD's suggestions for Metropolitan's ongoing rate refinement process and long range financial planning. We welcome and encourage our member agencies to provide such feedback so we can better represent your needs at Metropolitan.

The proposed Metropolitan rate increase of 8% and 8%, for calendar years 2023 and 2024 respectively, is significantly higher than what was previously forecasted (5% and 5%). While Metropolitan has provided a number of explanations for these increases, we agree that at this time they should only seek what is essential and necessary. Thus, we are confident Metropolitan can do more to reduce its expenditures while maintaining its strong financial credit rating. In fact, at the fourth Metropolitan Board Budget Workshop, held on March 22, the MWDOC-MET delegation supported the request for Metropolitan staff to return in April with an additional Budget and Rate alternative that would be much lower than the current proposal.

We recognize there is unforeseen variability and increased costs that will cause pressure on Metropolitan's expenditures. Your letter correctly states, there are further investments needed in the areas of aging infrastructure, storage, capital improvements, and water resources projects, as well increases in departmental O&M, State Water Project, chemicals, and power costs. All of which will have a significant and challenging impact on Metropolitan's future finances and rates.

To prepare for these financial pressures, along with managing lower water transactions, a long range financial plan and a review of the current rate structure will be necessary. Such a review will identify whether modifications or changes are needed in the rate structure to maintain Metropolitan's long term financial resiliency while ensuring both predictable and gradual rate increases. We anticipate such a review and discussion will occur over the next two years and we will be seeking input from our Board and member agencies regarding these financial decisions at Metropolitan.

We strive to keep our member agencies apprised of upcoming issues at Metropolitan through timely discussions of issues at our Joint Board Workshop and member agency managers meetings. On April 6, Metropolitan Assistant General

Manager/Chief Financial Officer Katano Kasaine will attend our MWDOC-MET Joint Board Workshop to present on Metropolitan's proposed Biennial Budget key assumptions and expenditures, including areas of budgetary expenditures that can possibly be reduce to achieve a lessened rate increase. Additionally, it will provide an opportunity to discuss with Metropolitan some of your stated concerns and suggestions on how Metropolitan can manage its future financial pressures. We hope you and your staff can attend this upcoming MWDOC-MET Joint Board Workshop and participate in the discussion.

Sincerely,



Robert J. Hunter  
Municipal Water District of Orange County  
General Manager

Cc: MNWD Board of Directors  
MWDOC Board of Directors  
MWDOC MET Directors