



MAYOR BOB FOSTER

CITY OF LONG BEACH

June 10, 2013

Mr. John V. Foley, Chairman
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Re: Item 8-1: Mid-cycle Biennial Budget Review and Recommendation for Use of Reserves over Target

Dear Chairman Foley:

After talking with Director Lowenthal and members of our Water Department staff, I understand that MWD, for the first time in its history, adopted a two-year budget and rates in the spring of 2012. This is a change from the normal practice of setting budget and rates annually. Now, mid-way through that first biennial budget cycle, I have been informed that your unrestricted reserves have increased by more than \$300 million beyond what was forecasted. And despite that, I have been told, that you intend to continue with a 5% rate increase next January.

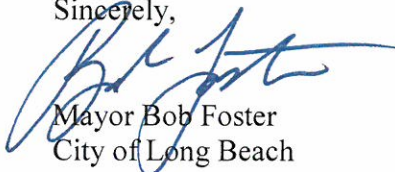
In reviewing your proposed expenditure of surplus funds for fiscal year 2013, I do not object to making prudent investments in your infrastructure, addressing your employee medical obligations, and preparing to purchase water to meet our region's future water needs. However, I frankly do not understand why you intend to continue with this next future rate increase, which is clearly not needed. If you would simply revise your revenue forecast for fiscal year 2014 to be consistent with your current level of water sales, which continues to rise month after month, that additional revenue would more than offset the amount which would be collected by this next proposed rate increase.

Therefore, I am respectfully requesting that you proceed as planned with the expenditure of fiscal year 2013 surplus funds, and rescind the rate increase scheduled to take effect in January 2014.

Furthermore, I am requesting that you return to your historic practice of establishing your budget and water rates annually, as we do in Long Beach and so does virtually every other government entity in the country.

Thank you for your consideration.

Sincerely,



Mayor Bob Foster
City of Long Beach

Cc: Long Beach City Council
Long Beach Board of Water Commissioners

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