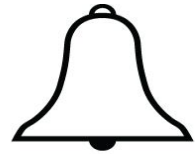


BOARD OF DIRECTORS

BETTY H. OLSON, PH.D    CHARLEY WILSON  
CHARLES T. GIBSON    SAUNDRA F. JACOBS  
JUSTIN McCUSKER



## Santa Margarita Water District

May 9, 2017

Mr. Wayne Osborne, President  
Municipal Water District of Orange County  
PO Box 20895  
Fountain Valley CA 92728

Subject: Comments on Draft Resolution of Municipal Water District of Orange County  
Establishing Water Rates

Dear President Osborne:

The District previously provided comments on the draft budget for Fiscal Year 2017-2018 and noted our appreciation of your judicious approach to forecasting your expenses and needed revenue. The draft Resolution and the Third Draft of the budget being considered do not reflect the previous budget presentations or discussions. At no time have the member agencies been presented with a 10.5% increase in the MWDOC rate structure.

The first draft of the budget, the MWDOC charge was projected to be \$11.25/meter, the second draft the projected fee was \$11.65 including new federal affairs positions and activities. The resolution now proposes a fee of \$12.10/meter. The third draft of the Budget is the first indication of a significant change in the proposed budgeted use of reserves.

The indication at the Elected Officials meeting was the new position would not likely be going forward and the change in use of reserves was not highlighted.

The general consensus from member agencies appeared to be supportive of a moderate increase of 2.7% included in the first budget and concern with the 6.4% increase in the revised budget. The 10.5% increase proposed in the resolution was not previously presented or discussed.

As noted above, we support the first draft of the budget and a robust discussion throughout the fiscal year on the reserve policy as presented in the PFM study.

Very Truly Yours,  
SANTA MARGARITA WATER DISTRICT

A handwritten signature in blue ink, which appears to read "Charles T. Gibson", is placed below the typed name.

Charles T. Gibson  
President

CC    MWDOC Board of Directors  
      SMWD Board of Directors  
      Mr. Robert Hunter, General Manager