

How you can stop Sacramento from raising your water rates and property taxes

By Susan Shelley ||

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Editor's note: Breaking views are thoughts from individual members of the editorial board on today's headlines.

On Thursday, August 30, at 8:00 a.m., an obscure committee in Sacramento will hold an informational hearing that will commit you, your children and your grandchildren to paying higher rates and higher property taxes to cover the cost of the proposed boondoggle known as WaterFix.

Under state law, the Department of Water Resources can finalize a long-term contract for water from the State Water Project through a unique process that doesn't require a vote of the Legislature or any legislative committee. The DWR simply sends over a copy of the contract, the Joint Legislative Budget Committee holds an informational hearing, and 60 days later, the contract can be finalized.

In this case, the DWR wants to extend contracts for water from the State Water Project all the way to the year 2085.

Why? Because a massive capital investment is needed to pay for the WaterFix twin-tunnel project, estimated to cost \$17 billion. The money will be borrowed from Wall Street investors by selling long-term bonds, and the state's contract for supplying water has to be extended far enough into the future so that the rates paid by water customers can be promised as security. The higher the level of borrowing, the longer the contract has to run to make the math work.

Unless that hearing on Thursday is postponed, the 2085 contract extension will be finalized before Gov. Jerry Brown leaves office, committing the next governor and the next three generations of Californians to pay the debt.

And the proponents of WaterFix have a trick up their sleeve that will commit taxpayers as well as ratepayers to cover any cost overruns that plague the twin tunnels. They're calling this future project an investment in "ongoing operations and maintenance" of the State Water Project.

That bit of verbal sleight-of-hand makes the debt for this future project part of the commitment taken on by voters in 1960, when the debt for the State Water Project was approved.

You see, there's a tiny little loophole in Proposition 13 that allows the property tax rate to be raised above 1 percent in order to pay for any debt approved by voters prior to the initiative's passage in 1978.

By calling the \$17 billion WaterFix "maintenance" of the State Water Project, the proponents are contending that the debt to build the new tunnels was approved by voters in 1960. The entire

massive boondoggle squeezes through the loophole.

Harry Houdini would have paid a lot of money for that trick.

At one time, state water officials expected the cost of building WaterFix to be shared by all the contractors who receive water from the Delta, but then most of them refused, citing the high cost and the lack of a guarantee that they would actually receive water. However, the board of the Metropolitan Water District of Southern California voted to pick up the lion's share of the cost by itself. The MWD has explained that water rates will go up for customers in its service area to pay for WaterFix. But what they haven't explained is that they are required to raise property taxes if necessary to pay their commitments to the State Water Project.

From the website of the Department of Water Resources, here's the language in the contract, under "Obligation of District to Levy Taxes and Assessments":

"If in any year the District fails or is unable to raise sufficient funds by other means, the governing body of the District shall levy upon all property in the District not exempt from taxation, a tax or assessment sufficient to provide for all payments under this contract then due or to become due within that year."

What this means is that if water rates don't produce enough revenue to pay what the MWD owes the state, property taxes must be raised to pay for the water agency's financial obligation under its State Water Project contract.

And this is all going to happen on auto-pilot if that informational hearing is held by the Joint Legislative Budget Committee on Thursday morning. The DWR will finalize the extended water contracts. The long-term bonds will be sold to finance WaterFix. The principal and interest payments will be the obligation of ratepayers and taxpayers all the way out to 2085.

Adding to the foul smell is a gutted-and-amended bill by Assemblyman Richard Bloom. AB 2649 would change the process of approving State Water Project contracts, specifically "any potential amendment of a long-term water supply contract that is of projectwide significance with substantially similar terms intended to be offered to all contractors, or that would permanently transfer a contractual water amount between contractors."

What this means is that WaterFix-related amendments to the water contracts are planned but not yet written. The Joint Legislative Budget Committee is going to hold a hearing on Thursday morning that will commit all of us to higher water rates and higher property taxes to pay for WaterFix and they don't even know what's going to be in the final contract.

Can this be stopped?

Call Assembly Speaker Anthony Rendon at 916-319-2063. Call Senate Pro Tem Toni Atkins at 916-651-4039. Call Committee Chair Holly Mitchell at 916-651-4030. Tell them the extension of the State Water Project contracts to finance WaterFix must wait until the next governor takes office, or at least until the contracts are completely written. Urge them to call off the Thursday

morning hearing of the Joint Legislative Budget Committee.

You can find the names and contact information for your own state representatives at findyourrep.legislature.ca.gov . Call them, too.

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