



Established 1926

August 25, 2017

Transmitted via USPS

The Honorable Chief Justice Tani Gorre Cantil-Sakauye
and Honorable Associate Justices
California Supreme Court
350 McAllister Street
San Francisco, California 94102

RE: *San Diego County Water Authority v. Metropolitan Water District of Southern California, et. al.*, Supreme Court Case No. S243500 (Court of Appeal Nos. A146901, A148266), Letter in SUPPORT of Petition for Review (Cal. R. Ct. 8.500(g))

Dear Chief Justice Cantil-Sakauye and Associate Justices:

The California Taxpayers Association (CalTax) respectfully requests that the Court grant the petition for review in the above-entitled case to decide the important issue it raises regarding whether hidden charges can be built into the cost of a government service, and whether a specific benefit is provided directly to the payer that is not provided to those not charged.

CalTax is a nonprofit, nonpartisan research and advocacy association founded in 1926 with a dual mission: to guard against unnecessary taxes and promote government efficiency. CalTax represents the interests of its members, and the state's taxpayers at large, in the areas of income and franchise, property, sales and use, and other state and local taxes, assessments, fees and penalties. CalTax's membership includes individuals and many businesses across all industries, ranging from small firms to Fortune 500 companies. CalTax is dedicated to the uniform and equitable administration of taxes and minimizing the cost of tax administration and compliance.

In 2010, CalTax co-sponsored Proposition 26 and wrote and signed ballot arguments stating that the initiative will stop local policymakers from enacting hidden taxes on goods and services, including water.

The central issue in this case concerns the proper construction of Cal. Const., art. XIII C, § 1, subd. (e), which was added to the Constitution by the voters in Proposition 26 (2010). Amicus believes the Metropolitan Water District of Southern California has been illegally imposing a

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charge that exceeds the reasonable cost of service to supply water to the San Diego County Water Authority, in breach of the two agencies agreement to set "lawful" rates and intent of Proposition 26 which requires voter approval for such exactions. While the particular charges in this case are limited to water supply and water service to the San Diego County Water Authority, unless stopped here similar charges are likely to proliferate statewide as not only water agencies but other local jurisdictions continually search for new revenue sources. Amicus therefore has a strong interest in defending the proper interpretation of Proposition 26. Otherwise, the intent of the voters in adopting Proposition 26 will be thwarted and people's right of self-determination regarding new and higher local taxes will be undermined. This burden of regressive taxation falls hardest on those least able to protect themselves.

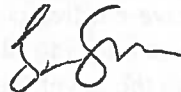
Under California law, it is appropriate for this court to review an appellate decision to "[s]ecure uniformity of decision or to settle an important question of law." California Rules of Court 8.500(b)(1). Both factors are present here and make the lower court's decision in this case suitable for review. The appellate court's opinion appears to be in conflict with recent cases interpreting and applying voter-approved limitations on government rate settings.

As noted by plaintiff and appellant in their petition for review, if the decision by the Court of Appeal is left to stand, government-owned utilities will be able to evade "vital constitutional dictates regarding the appropriate pricing of government services" that have been four decades in the making and continually upheld by voters.¹

In sum, by imposing hidden taxes on water services, government has entered the business of making a profit off utility ratepayers by charging unreasonable rates that exceed basic water service costs.

The petition for review should be granted, and the issue presented should be decided.

Respectfully Submitted,



Teresa Casazza
President & CEO
California Taxpayers Association

¹ Proposition 13 (1978), Proposition 62 (1986), Proposition 218 (1996), and Proposition 26 (2010).

PROOF OF SERVICE

I, the undersigned, declare that: I am over the age of eighteen years and not a party to the case; I am employed in the County of Sacramento, California, where the mailing occurs; and my business address is: 1215 K Street, Suite 1250.

On August 25, 2017, I served copies of the following document: **LETTER IN SUPPORT OF PETITION FOR REVIEW (Cal. R. Ct. 8.500(g))** upon the persons and entities listed on the attached service list, by delivering a true copy as follows:

(by Mail) I placed a copy thereof enclosed in a sealed envelope addressed as shown below. I am readily familiar with the practice of the California Taxpayers Association for collection and processing of correspondence for mailing. According to that practice, items are deposited with the United States Postal Service in Sacramento, CA on that same day with postage thereon fully prepaid.

Executed on August 25, 2017 at Sacramento, CA.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.



Teresa Casazza

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