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GENERAL MANAGER AND
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CITY OF CHULA VISTA
~~CITY OF CORONADO~~
CITY OF NATIONAL CITY
CITY OF OCEANSIDE
CITY OF SAN DIEGO
FALLBROOK PUBLIC UTILITY
DISTRICT
LAKESIDE IRRIGATION DISTRICT
LA MESA, LEMON GROVE AND
SPRING VALLEY IRRIGATION
DISTRICT
RAMONA IRRIGATION DISTRICT

July 19, 1946

Board of Directors
San Diego County Water Authority
San Diego, California

Financial obligation of The City of
Coronado on May 10, 1946 - date of
withdrawal from the Authority

Gentlemen:

Reference is made to the correspondence between the City Clerk of Coronado and Mr. Phil D. Swing relative to the matter of Coronado's possible financial obligation to the Authority at the time of her withdrawal, also to discussions on this matter by the Board of Directors.

Section 11 of the Water Authority Act specifies the method by which agencies may withdraw. The last sentence of this section reads as follows:

"* * * provided, however, that the property within the said public agency as it shall exist at the time of such exclusion shall continue taxable for the purpose of paying said bonded and other indebtedness outstanding or contracted for, at the time of such exclusion and until such bonded or other indebtedness shall have been satisfied."

Since there is no bonded indebtedness, outstanding indebtedness of the Authority on May 10, 1946 at the time of Coronado's withdrawal, appears from the above section of the law to fall into two classes -

- (1) That portion "contracted for"; and
- (2) That portion which could be termed "indebtedness outstanding".

That portion of the indebtedness "contracted for" is easy to determine from the records of the Authority and is as follows:

Indebtedness Contracted for on May 10, 1946, and the Authority's
Financial Obligations Thereunder.

- | | |
|---|-----------|
| (1) Salary of Mr. Phil D. Swing as General Counsel to Sept. 22, 1946, fixed by the Board of Directors on Sept. 7, 1945 at \$6000 per annum - 4-2/5 months | \$2200.00 |
| (2) Agreement to pay the Colorado River Board, authorized by motion on Dec. 7, 1945, the sum of \$2000 - less \$500 paid on April 19, 1946 | 1500.00 |

Indebtedness - Cont'd

| | |
|---|---------------|
| (3) Lease of office space from Star and Crescent Investment Co., from Dec. 1, 1944 to Nov. 30, 1946, at monthly rental of \$425, - 6-2/3 months | \$2833.34 |
| (4) Contract with Everts and Esenoff for bookkeeping (\$2000 for 2 years - \$1295 paid to 6/30/46) | <u>763.34</u> |
| Total indebtedness | \$7296.68 |

The portion of the "indebtedness outstanding" on May 10, 1946 is a difficult thing to determine for several reasons, one of the most important being that the salaries and other operating expenses of the Authority cannot legally or practically be terminated as of a given date which could not reasonably be anticipated. Under such types of indebtedness might be mentioned the following:

(1) Salary of the General Manager and Chief Engineer fixed by Ordinance No. 2 at \$12,000 per annum, continuing "at the pleasure of the parties concerned".

(2) Salaries of the general staff who are employed under no written contract, but under implied contracts that reasonable notice will be given before termination of services. Such salaries amount to \$1401.67 per month.

(3) Travel expense of the Board of Directors and staff, which ordinarily accumulates for several months before being presented for payment.

(4) Purchase of supplies, some of which must be ordered in advance.

The payment of indebtedness for items such as are listed above would seem to take equal priority with the "contracted" indebtedness. Since the law mentions no date for terminating the participation by the withdrawing member in such indebtedness, it would seem that a reasonable time must elapse after the withdrawal to permit these general obligations to be presented and paid. This must either be determined by agreement or be submitted for review by the Court.

One practical means for solving the matter would be to consider that the withdrawing member had fulfilled its financial obligation to the Authority if, at the end of the taxable year in which the withdrawal took place, the Authority was in possession of sufficient surplus funds received from taxation to pay all the "contracted" indebtedness and to pay all "other indebtedness" outstanding at the time of such withdrawal.

The Authority has just received an audit of its accounting for the fiscal year 1945-46 which shows that on June 30, 1946 it had on hand an available cash surplus of \$26,672.82. The "contracted indebtedness" as shown by the above table, amounts to \$7296.84. It is evident that the available surplus funds on hand at the close of the fiscal year will pay all of the "contracted indebtedness" and leave an ample amount to pay any and all "other indebtedness".

In view of this situation it is recommended that Coronado be advised that the Authority will make no claim against her or against any property within her boundaries for the fiscal year 1946-47, and that the County Auditor also be advised of the Board's findings in this matter.

Very truly yours

J. L. Burkholder
J. L. Burkholder
General Manager and Chief Engineer

Phil D. Swing
Phil D. Swing
General Counsel

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COUNTY CLERK
COUNTY COMMISSIONER
COUNTY SHERIFF
COUNTY ATTORNEY
COUNTY JUDGE
COUNTY SUPERVISOR
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