



Our Region's Trusted Water Leader
San Diego County Water Authority

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News Release

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Water Authority Board Adopts \$1.7 Billion Two-Year Budget

Approved water rate increases cover increasing costs of supply reliability

The San Diego County Water Authority's Board of Directors today adopted a \$1.7 billion budget for fiscal years 2020 and 2021. The new budget is up 5 percent from the current two-year budget, due largely to increasing costs for water supply, supply reliability and infrastructure improvements.

Following a public hearing, the Board also approved an increase in wholesale water rates for calendar year 2020. Although the Water Authority's budget spans two fiscal years, the agency sets rates annually to more effectively manage changing conditions.

Rates and charges for member agencies will increase by 4.3 percent for treated water and 4.8 percent for untreated water. The increases are attributable to rate increases by the Metropolitan Water District of Southern California, continued regional investments in supply reliability, and lower demand that means fixed costs must be spread over fewer gallons of water sales.

As part of its long-term financial strategy, the Water Authority will use \$38 million from its Rate Stabilization Fund to minimize 2020 rate increases.

"This budget and rates package reflects our commitment to cost-conscious stewardship of the region's critical large-scale water supply system," said Jim Madaffer, chair of the Water Authority's Board. "We've trimmed where we can, but inflation and other factors push costs higher as we maintain billions of dollars in assets while ensuring safe and reliable water supplies for future generations."

As usual, more than 92 percent of the Water Authority's budget is associated with purchasing and treating water or building and financing infrastructure, a result of the agency's highly

successful long-term strategy to invest in supply reliability to meet current and future needs for 3.3 million people and a \$231 billion regional economy.

The biggest driver of the budget is an increase of \$48.92 million, or 5 percent, for the purchase and treatment of water. The increase reflects continuing investments in the San Diego region's water supply reliability portfolio – in line with Gov. Gavin Newsom's executive order in April to promote statewide water resilience. It also reflects the costs of transporting water from the Colorado River and purchasing water from MWD.

About 6 percent of the budget is for the Water Authority's operating departments. Spending for those departments will rise by 5 percent compared to the current budget, primarily due to increasing maintenance costs at shared facilities at Lake Hodges, San Vicente Reservoir and the Levy Water Treatment Plant.

Key initiatives the Water Authority will pursue during the next budget cycle include:

- **Long-Term Planning** – Important strategic documents such as the 2020 Urban Water Management Plan, Climate Action Plan, 2020 Long-Range Financing Plan, and Water Shortage Contingency Plan will be drafted, updated or completed.
- **Strategic Studies** – Research will continue into important new or developing opportunities to optimize ratepayer investments, including a potential San Vicente Energy Storage Facility.
- **Capital Improvements** – Several smaller-scale capital projects will be developed, including renovations of the First Aqueduct that will improve operations of the Water Authority's first two large-diameter pipelines for decades to come.
- **Visionary Initiatives** – Developing water storage capacity in Lake Mead to provide additional drought resilience for San Diego and other parts of the Colorado River Basin will be a priority as part of the agency's "Solutions for San Diego and the Southwest" initiative. In addition, the Water Authority is analyzing the costs and benefits of a regional water conveyance system that could help San Diego County and the entire Southwest to more effectively manage water resources.

To support the budget, the Water Authority developed its 2020 rate proposal in conjunction with an independent cost-of-service study to ensure rates and charges comply with state law, legal requirements, cost-of-service standards and Board policies. The Water Authority also worked closely with its member agencies to keep the proposed rates and charges at the low end of earlier projections.

In 2020, the Water Authority will charge its 24 member agencies an all-in rate of \$1,406 per acre-foot for untreated water, or \$65 more per acre-foot than they currently pay. Charges will be \$1,686 per acre-foot for treated water, or \$69 more per acre-foot than in 2019.

Actual figures will vary by member agency, and each member agency will incorporate costs from the Water Authority into the retail rates it charges to residents, businesses and institutions. (Note: An acre-foot is about 325,900 gallons, enough to serve the annual needs of 2.5 typical four-person households in San Diego County.)

The Water Authority's overall rate increase is driven by multiple factors, including rising costs from MWD, which increased its base supply rates and charges and the amount it charges to transport the Water Authority's independent Colorado River supplies.

The Water Authority will purchase an additional 32,500 acre-feet of water in 2020 via its long-term water conservation-and-transfer agreement with the Imperial Irrigation District. Those independent Colorado River supplies are more reliable and less expensive than MWD supplies, which have been reduced by drought conditions in years past and are subject to cutbacks.

The Water Authority also faces increased costs for its highly reliable, high-quality water supplies from the Claude "Bud" Lewis Carlsbad Desalination Plant, driven by construction of new seawater intake-discharge facilities that comply with updated environmental standards.

To reduce 2020 rate increases by approximately \$90 per acre-foot, the Water Authority plans to draw \$38 million from its Rate Stabilization Fund. The fund was created in 1990 to help avoid rate spikes, especially those driven by reduced water sales. Water sales in the region are currently 10 percent below initial projections for fiscal year 2019.

The 2020 rate proposal ensures debt-coverage ratios that maintain the Water Authority's strong credit ratings and minimize the cost of borrowing money for construction projects, an approach that saves ratepayers money over the long run. The Water Authority has senior lien credit ratings of AAA from Standard & Poor's, AA+ from Fitch ratings and Aa2 from Moody's. All three ratings agencies rated the Water Authority's credit outlook as stable.

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The San Diego County Water Authority sustains a \$231 billion regional economy and the quality of life for 3.3 million residents through a multi-decade water supply diversification plan, major infrastructure investments and forward-thinking policies that promote fiscal and environmental responsibility. A public agency created in 1944, the Water Authority delivers wholesale water supplies to 24 retail water providers, including cities, special districts and a military base.



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