



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

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### **News Release**

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## **Water Authority Proposes Rates for 2021**

*Strategic actions minimize rate increases in challenging fiscal environment*

May 22, 2020 – The all-in rates charged to the San Diego County Water Authority's 24 member agencies would increase by 6.3% for untreated water and 6.2% for treated water in calendar year 2021, if the Board of Directors adopts a staff recommendation released this week. The recommended rate increase equates to a net of 3% for member agencies when adjusted for declining sales.

In light of unprecedented economic turbulence from COVID-19, Water Authority staff is also providing two other rate alternatives for discussion during the regular monthly Board meeting on May 28. The Board is scheduled to hold a public hearing on the proposed rates and consider their adoption during its regular meeting on June 25. The new rates will take effect January 1, 2021.

"The pandemic-induced recession, coupled with reduced demand and increased costs are among the many factors putting significant upward pressure on rates," said Water Authority General Manager Sandra L. Kerl. "We're recommending a series of strategic steps to minimize rate increases while maintaining our long-term fiscal stability and the integrity of the regional water supply system."

In 2021, the Water Authority proposes charging its 24 member agencies an all-in municipal and industrial rate of \$1,495 per acre-foot for untreated water, or \$89 more per acre-foot than they currently pay. Charges would be \$1,790 per acre-foot for treated water, or \$104 more per acre-foot than in 2020.

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.

#### **Water Authority Rates Schedule**

*May 28: Presentation of the proposed 2021 rates and charges to the Board of Directors*

*June 25: Public hearing on rates; Board considers adoption*

#### **Breakdown of all-in water rates**

*The municipal and industrial water rate is the estimated average cost of water that includes the Water Authority's rates for supply, treatment (if applicable) and transportation, along with fixed charges for storage, customer service and supply reliability. Actual figures will vary by member agency.*

(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.)

In addition, the rates package includes recommended Permanent Special Agriculture Water Rates, following the Board's decision late last year to make the temporary program permanent. The program provides farmers with lower rates that correspond to a lower level of water supply reliability. In 2021, the untreated PSAWR would increase from its current level of \$755 per acre-foot to \$777 per acre-foot, and the treated PSAWR would increase from \$1,035 per acre-foot to \$1,072 per acre-foot.

“During this unprecedented time, staff has worked diligently to keep rate increases manageable despite severe challenges,” said Water Authority Finance Director Lisa Marie Harris. “There are no simple solutions, but together we can sustain the water storage, treatment and delivery system that will help San Diego County move from pandemic response to economic recovery.”

The fiscal pressures faced by the Water Authority include:

- Reduced water sales, which are 14% below the current budget and expected to remain low in 2021 due to coronavirus-related business closures and other factors. Decreased water sales put upward pressure on rates because costs must be spread across fewer units sold.
- Rising costs from MWD that reflect continued increases to its base supply rates and charges and the amount MWD charges to transport the Water Authority's independent Colorado River supplies. For the Water Authority, MWD's adopted 2021 rates increase supply costs by more than 9%, or \$15.4 million.
- Increasing deliveries of independent, highly reliable Colorado River water supplies from the Imperial Irrigation District. This added a net \$5.6 million to the total cost of water in 2021, the final year of increasing deliveries from IID.

The Water Authority developed its 2021 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, and strategic tools such as the Long-Range Financing Plan. The Water Authority worked diligently to respond to member agency feedback, and to keep the proposed rates and charges below the mid-point of earlier projections.

In addition, the 2021 rate proposal was designed to ensure Board-adopted debt coverage ratios that support the Water Authority's strong credit ratings and minimize the cost of borrowing money for construction projects. The Water Authority has credit ratings of AAA with a stable outlook from S&P, AA+ from Fitch, and Aa2 with a stable outlook from Moody's.

The rates recommended by Water Authority are the result of strategic measures that include:

- Providing more than \$80 million in rate relief from the Rate Stabilization Fund over the next 24 months.
- Capitalizing on historically low interest rates and strong credit ratings by lowering annual debt expenditures by optimizing cash to restructure outstanding debt to provide significant savings.

- Planning to withdraw stored water to reduce water purchases while maintaining water reserves for future years – the result of careful planning and investments over more than two decades.
- Reducing budget expenditures with a hiring freeze reduced professional services contracts and reprioritizing more than \$30 million in capital projects.

For more information about the 2021 rates and charges recommendation, [click here](#) and go to page 35.

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*The San Diego County Water Authority sustains a \$245 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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