

Water rates are rising across the state for a variety of reasons, including inflation that is driving up the cost of items like electricity, steel and chemicals needed for water delivery and treatment.

The Water Authority is not immune from those impacts; in fact, San Diego County's strategic investments in supply reliability, coupled with work to maintain the aqueduct system, mean that residents and businesses will pay more for water in future years. The good news is that even during long dry spells, the Water Authority is prepared to meet regional demand for water that sustains our economy and quality of life.

In 2023, the Water Authority's Board approved increasing wholesale water costs for its 24 retail member agencies by 9.5% starting in January 2024. The budget and rates package was the most challenging in decades due to extreme inflation over the previous year, depressed water sales due to cool and wet weather, and because previous cost saving measures were already utilized in previous years and were no longer available.

Against that backdrop, the Board prioritized immediate ratepayer relief with the defeasement of around \$12M in outstanding debt and a planned withdrawal of nearly \$30 million from the Rate Stabilization Fund, which would bring the fund to its lowest level in more than a decade. The Rate Stabilization Fund was created in 1990 to help avoid rate spikes, especially those driven by reduced water sales following abnormally wet weather or mandatory cutbacks.

The Board also approved a \$1.85 billion budget for fiscal years 2024 and 2025, an increase of 5% from the previous two-year budget due to higher costs for water, treatment and infrastructure maintenance.

The budget prioritizes the following initiatives:

- Long-term planning
- Capital projects
- Engaging stakeholders
- System and asset management
- Fiscal responsibility and cost control

MAJOR FACTORS BEHIND RISING WATER RATES FOR 2024



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LOST REVENUE FROM SUSPENDEND
HYDROPOWER OPERATIONS

PUBLIC WATER SUPPLIES

Public water agencies don't make a profit. All their revenues are invested in providing safe and reliable water. Because the Water Authority is a wholesale water agency that sells only to retail water agencies – not the general public – there is not a one-to-one correlation between Water Authority's rates and water bills for homes and businesses.

Actual bills for residential and commercial customers will vary based on factors that include Water Authority rates, customers' water use, and factors unique to local retail water agencies.

Approximately 90% of the Water Authority’s recommended budget is for buying and treating and delivering water, combined with debt service and infrastructure projects to ensure water is available when and where it’s needed. As in past years, the Water Authority’s Operating Departments – including all agency staff and day-to-day work functions – account for about 7% of the budget. The approved budget for fiscal years 2024 and 2025 increased spending by those departments by 1%.

RATE PRESSURES ADD UP

Several factors are increasing the cost of providing safe, reliable water supplies, like they are across all sectors of the economy.

One element is historically high general inflation in recent years. Another is that prices charged by the Metropolitan Water District of Southern California keep going up. San Diego County buys some of its water from MWD and pays for the use of MWD’s Colorado River Aqueduct, so those pass-through increases have a big impact.

In addition, the Water Authority’s water sales are down significantly from decades past, which puts upward pressure on rates because large fixed costs must be spread over fewer gallons sold.

The Water Authority has taken aggressive budget-and rate-control measures for the past several years, leaving fewer options in future years. Those actions have included front-loading savings on debt-refinancings to reduce budget impacts in prior years, which means the impact of debt will grow in the years to come.

In addition, the Water Authority has secured tens of millions of dollars over the past two years to help residents pay their water bills, and it has distributed \$90 million to member agencies from successful rate case litigation – money that otherwise could have defrayed Water Authority costs.



MORE INFO

HELP FOR LOW-INCOME RATEPAYERS

The Low-Income Household Water Assistance Program is a federally funded program that offers one-time payments to cover outstanding residential water and/or wastewater bills. To participate, customers must apply before March 2024 directly to the local service providers selected by the state to implement the program in the San Diego region. LIHWAP will pay water-wastewater bills of up to \$2,000. Learn more at bit.ly/HelpWithWaterBill, by entering their city and locating your “water utility assistance provider.”

KEY ISSUE: RISK VS. COST

Unlike roads, water pipes are mostly unseen – but they suffer from significant wear and tear that requires upkeep. In fact, maintaining the current infrastructure is more cost-effective than emergency repairs and the health/safety problems that come with outdated water systems.

One key issue for the Board of Directors each year is balancing the cost of maintenance, capital projects and supply reliability with the risk of health, safety and reliability challenges down the road.

A TRANSPARENT, PUBLIC PROCESS

The Water Authority is concerned about the rising cost of water supply reliability, and the agency is taking several steps to mitigate rate increases. One way the agency is doing that is by looking for alternate revenue sources and seeking state and federal funds.

The Water Authority’s budget and rate process is open to the public and documents are available online. The Water Authority’s rate-setting process for 2025 will start in the spring of 2024.

