

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 can meet the regional demand for water that sustains our economy and quality of life.

This year, the Water Authority’s budget and rates process started two months earlier than normal, adding uncertainty to the initial projections. However, the additional time allows for the Board and staff to assess strategies for lowering the preliminary rate increase projection of 14% for 2024.

The draft recommended budget for fiscal years 2024-2025 is 5% larger than the current two-year budget at \$1.8 billion. Approximately 90% of the budget is for purchasing, treating, and delivering water, combined with debt service and Capital Improvement Projects to ensure water is available when and where it’s needed. As in years past, the Operating Departments – including all agency staff and day-to-day work functions – account for about 7% of the budget.

MAJOR FACTORS BEHIND RISING WATER RATES FOR 2024



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LOST REVENUE FROM SUSPENDEND HYDROPOWER OPERATIONS

The Water Authority’s initial projection of 14% wholesale water rate increases in 2024 are driven by several factors, most of which are beyond the agency’s control. The biggest issue is the pass-through cost of water, followed by the impact of declining sales.

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.

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. 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.

In addition, the Water Authority has taken aggressive budget- and rate-control measures for the past several years, leaving fewer options this year. Those actions have included front-loading savings on debt-refinancings to reduce budget impacts in prior years, which means the impact of that debt will grow in the next two-year cycle.

To mitigate rate increases, Water Authority efforts also have included draws of nearly \$57 million from the Rate Stabilization Fund, with an \$18 million draw planned for June. At that point, the reserve fund will be at its lowest in nearly a decade. 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.

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.

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

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 August 2023 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.”

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 alternative 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. Water Authority staff presented preliminary draft budget and rate information to the Board on March 23, and the Board is planning to host budget workshops on April 11 and 13 at the Water Authority headquarters in Kearny Mesa. Two more budget workshops are planned for May 16 and 18.



MORE INFO