

**ORDINANCE NO. 2018- 03**

**AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY APPROVING THE GENERAL MANAGER'S RECOMMENDED POLICY CHANGE TO THE RATE STABILIZATION FUND CALCULATION MOVING FROM THE CURRENT 25% EXPECTED DROP IN WATER SALES IN A WET YEAR TO A 15% DROP IN WATER SALES BASED ON CONTINUED IMPROVEMENTS IN WATER USE EFFICIENCY**

WHEREAS; in 2006, The Board strengthened key financial metrics, including establishing a target funding level for the RSF that better protected the Water Authority against the financial impact of possible reduced water sales.

WHEREAS; the Water Authority sets aside money into the RSF (as available), which, by covenant, may be used to meet the Water Authority's legal bond coverage requirement in a year that other revenues are insufficient. Use of the RSF is a critical short-term water rate management tool and helps the Water Authority manage weather and timing related revenue risks and stabilize annual revenue needs through rate smoothing.

WHEREAS; Reduced water sales were based on the 2006 assumption of 2.5 years of wet weather (3.5 years max). At that time it was calculated that during a wet weather period, the Water Authority would experience a 25 percent reduction in water sales. However, given current facts as stated below the General Manager and staff now recommend this policy be revised down to a 20 percent reduction in water sales effective January 1, 2019, and to a 15 percent reduction in water sales effective January 1, 2021.

WHEREAS; This change in the reserve policy is driven by continued improvements in water use efficiency. A 47 percent decline in per capita water use from 1990 to 2017 in the Water Authority's service area is an indicator of increasingly efficient water use practices throughout the region. As water use efficiency continues, regional water demand "hardens," becoming less susceptible to significant demand reduction due to wet weather.

WHEREAS; wet weather events in 2005 and 2011 demonstrated that while wet weather certainly affected Water Authority sales by reducing water demand and increasing local surface reservoir production, the reduction in water sales from the previous wet weather year was limited to just 14-15 percent.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

1. Effective January 1, 2019, the Rate Stabilization Fund shall be calculated based on a 20 percent reduction in water sales for the years 2019 and 2020, and 15 percent thereafter.

2. Effective January 1, 2021, the Rate Stabilization Fund shall be calculated based on a 15 percent reduction in water sales.


PASSED, APPROVED AND ADOPTED, this 28<sup>th</sup> day of June 2018 by the following vote:

AYES: Unless noted below all Directors voted aye.

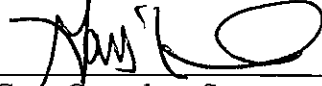
NOES: None

ABSTAIN: None

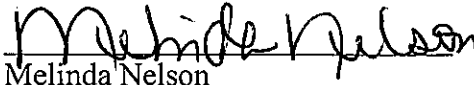
ABSENT: Barnum, Bienes, Cherashore, Hilliker, Katz, Lewinger, Simpson, Watkins, Weston, and Nelson.

  
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Mark Muir, Chair

ATTEST:

  
\_\_\_\_\_  
Gary Croucher, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance No. 2018- 03 was duly adopted at the meeting of the Board of Directors on the date stated above.

  
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Melinda Nelson  
Clerk of the Board