

June 19, 2019

Attention: Administrative and Finance Committee

Adopt the Water Authority's Rates and Charges for Calendar Year 2020. (Action)

Purpose

To establish rates and charges sufficient to meet the Water Authority's revenue requirements in conformance with state law and board policies.

Staff recommendations

- a. Conduct the Public Hearing;
- b. Adopt Ordinance No. 2019-__ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services;
- c. Adopt Resolution No. 2019-__ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge;
- d. Adopt Ordinance No. 2019-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act;
- e. Find the actions exempt from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the General Manager to file a notice of exemption.

Alternative

Direct staff to set a different time or date for the public hearing.

Fiscal Impact

The recommended water rates and charges, in combination with reserves, existing taxes, the System Capacity Charge, the Water Treatment Capacity Charge, the Infrastructure Access Charge (IAC), investment income, the Standby Availability Charge, and the Supply Reliability Charge (SRC), are expected to raise revenues sufficient to meet the Water Authority's revenue requirement, bond covenants and other key fiscal policy goals. The recommended M&I total cost of water increase for CY 2020 is \$65/AF or 4.8% for untreated water and \$69/AF or 4.3% for treated water. These increases are mitigated by a projected draw of approximately \$22 million from the Rate Stabilization Fund (RSF) in FY 2019.

Executive Summary

- Treated Water Cost increasing from the CY 2019 rate of \$1,617 to \$1,686 in CY 2020 rates, a \$69 or 4.3% increase.
- Untreated Water Cost increasing from the CY 2019 cost of \$1,341 to \$1,406 in CY 2020, rates a \$65 or 4.8% increase.
- Rate Stabilization Fund: A \$22 million drawdown is forecasted in FY 2019, and an additional \$38 million drawdown in FY 2020 to offset what would have been higher rate increases.

Background

At the May 23, 2019 Board meeting, staff provided a report on the recommended CY 2020 rates and charges, as well as a draft of Carollo's independent cost of service study. The report not only provided the recommended CY 2020 rates and charges but also discussed the primary drivers behind the recommended increases. The key rate and charge drivers identified in the board report are MWD's supply and transportation rate increases, increased QSA water deliveries, and the reduced water sales environment. The Board memo associated with the report is provided as Attachment A.

Previous Board Actions

On May 23, 2019, the Board received the detailed staff report and Carollo's draft cost of service study recommending the CY 2020 rates and charges, and adopted Resolution 2019-09 setting the time and place for the public hearing on June 27, 2019.

Discussion

The June 27, 2019 Administrative and Finance Committee meeting has been scheduled as the time, date, and place to receive public comments regarding recommended rates and charges, including the information presented in connection with the May 23, 2019 meeting and the additional information provided in this memorandum, and any other matters pertinent to the Board's setting of rates and charges. In addition, upon the Board's May action, the Cost of Service Report from Carollo Engineers was finalized and is provided as Attachment B.

The recommended actions are exempt from CEQA as provided by statute under Public Resources Code §21080(b)(8). This Statutory Exemption is stipulated for actions involving the establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas. The Acting General Manager is therefore authorized to file a Notice of Exemption pursuant to Public Resources Code §21152(b) and §15061(d) of the State CEQA Guidelines (Title 14, Chapter 3, California Code of Regulations).

The Water Authority has complied with the procedural requirements for continuing the Standby Availability Charge and increasing its rates and charges for water and other services. After consideration of public comments at the Public Hearing on June 27, 2019, the staff recommends that the Board adopt the ordinance setting the water rates and charges for CY 2020.

Prepared by: David Gore, Senior Management Analyst
Reviewed by: Pierce Rossum, Rate and Debt Manager
Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Dan Denham, Assistant General Manager

Attachments:

- A. May 15, 2019 Board Memo on setting the public hearing for recommended CY 2020 rates and charges
- B. Carollo Engineers' Cost of Service Study dated June 2019
- C. Ordinance No. 2019-__ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services.
- D. Resolution No. 2019-__ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge.
- E. Ordinance No. 2019-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act;