

FORMAL BOARD MEETING

**ITEM 7.4 ADOPT THE WATER AUTHORITY'S RATES
AND CHARGES FOR CALENDAR YEAR 2021.**

1. LETTER FROM OLIVENHAIN MWD

2. LETTER FROM CITY OF SAN DIEGO COUNCIL

**THE ATTACHED INFORMATION WAS
RECEIVED AFTER POSTING OF THE AGENDA
PACKET FOR THE JUNE 25, 2020 BOARD MEETING**

Board of Directors

Edmund K. Sprague, President
Robert F. Topolovac, Vice President
Lawrence A. Watt, Treasurer
Robert M. Kephart, Secretary
Christy Guerin, Director



General Manager
Kimberly A. Thorner, Esq.
General Counsel
Alfred Smith, Esq.

June 22, 2020

Board of Directors
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Re: Olivenhain Municipal Water District's Comments on San Diego County Water Authority's (SDCWA) Proposed Rates and Charges for Calendar Year 2021

Dear Board of Directors,

On behalf of Olivenhain Municipal Water District (OMWD), I would like to submit the following comments on SDCWA's Proposed 2021 rates and charges to be entered into the public record of the June 25, 2020 public hearing for consideration by the SDCWA's Board of Directors.

OMWD understands the importance of maintaining SDCWA's financial health and the need to preserve the excellent bond ratings which ultimately provide considerable savings to rate payers. During these uncertain times and economic crisis, OMWD is asking SDCWA to be extremely sensitive to the retail water agencies' water customers who, in effect, would be expected to cover SDCWA's budget shortfalls.

Beginning with Governor Newsom's emergency declaration, several executive orders were issued in response to the COVID-19 outbreak, including a stay-at-home order and restrictions on water service disconnections that have resulted in a revenue shortfall and increased water delinquencies for all SDCWA member agencies. The reduction in revenue due to the COVID-19 economic crisis combined with a reduction in water demands from commercial, industrial, and agricultural customers has already impacted OMWD substantially.

I am proposing the following suggestions for the Board's consideration:

First, I suggest that SDCWA consider a program that would provide temporary financial assistance for retail agencies during the COVID-19 pandemic; such a program could assist retail agencies with potential cash flow issues due to increased delinquencies and restrictions on water shutoffs for non-payment due to the Governor's Executive Order by offering a 30-day extension to member agencies after the bill due date on SDCWA's monthly water payment. This financial assistance program would help retail agencies' finances but would not be a significant impact to SDCWA, especially at this time of record-low interest rates being available.



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OMWD estimates less than a \$1 million reduction in the Fiscal Years 2020 and 2021 investment income projection to SDCWA of the total projected ending reserves balance of approximately \$280 million in fiscal year 2020.

Second, the proposed SDCWA's calendar year 2021 rates and charges include a 3% increase to the overall fixed charges effective January 1, 2021. (Actual monthly increase in SDCWA's fixed charges to all retail agencies' fixed charges in 2021 will vary based on Member Agency's Allocation of SDCWA's Fixed Charge calculations.) The overall 3% increase includes a 14% increase in SDCWA Infrastructure Access Charge (IAC) and a 9% increase in SDCWA's Supply Reliability Charge, which are then offset by a reduction in storage cost of 8% in 2021. OMWD has a pass-through ordinance that authorizes OMWD's Board to pass through, any and all, Pass-Through increases and Adjustments not to exceed 9% per year, including SDCWA-IAC pass through. OMWD would have to absorb any increase in one fiscal year of a pass through fixed cost from SDCWA greater than 9%. OMWD requests that SDCWA consider phasing in the IAC ramp up over a two year period so as to not exceed a 9% increase in any one year. If any other member agency has a pass through restriction amount less than 9%, OMWD would request SDCWA limit their annual fixed costs increase of the IAC charge to that lesser amount. With the financial impacts from the COVID 19 pandemic to retail water agencies, absorbing a pass through that we cannot pass on to our customers without another 218 process would be burdensome.

Finally, the SDCWA budget proposes an expenditure of \$1.3 million on Phase B of the Regional Conveyance System Study (RCCS) which directly effects the rates being proposed. OMWD suggests delaying this next step of expenditures on this RCCS project for many reasons. Expenditure of an additional \$1.3 million on a project of this tenuous nature while member agencies are dealing with the extraordinary financial impacts of the COVID 19 pandemic is hasty. The recently released 545 page Black and Veatch RCCS Study, along with the Independent Analysis by Hunter Pacific Group which diverged from the Black and Veatch report by over \$270 million in its own independent review, deserves more time for review, understanding and participation by the member agencies and the greater San Diego community. All of the aforementioned, combined with the currently underway Metropolitan Water District's Integrated Resource Plan process, which will have a direct bearing on the costs of an RCCS, require that SDCWA exercise prudence and allow additional time before moving on the next Phase of RCCS. The savings of \$1.3 million in this next budget cycle could be used to fund any loss in revenue through investment earnings that SDCWA would incur by implementing the first suggestion in this comment letter. Allowing member agencies the additional 30 days to pay will immediately and directly benefit the member agency cash flow issues, a wise expenditure during this COVID 19 pandemic.

OMWD appreciates that SDCWA is taking into account the needs of its member agencies, who are directly accountable to the public. I appreciate the opportunity to comment.

Regards,



Kimberly A. Thorner
General Manager

CC: Board of Directors, Olivenhain Municipal Water District



**CITY OF SAN DIEGO
COUNCIL PRESIDENT GEORGETTE GÓMEZ**

June 24, 2020

Jim Madaffer, Chair
San Diego County Water Authority
4677 Overland Ave
San Diego, CA 92123

RE: San Diego County Water Authority Board Agenda Items 7.3 and 7.4

Dear Chair Madaffer,

As you know, I am deeply concerned about any rate increases being approved at this time, when so many people are suffering as a result of the COVID-19 pandemic. These impacts fall hardest on our low-income residents who are suffering great harm to their livelihoods and families.

I appreciate the importance of maintaining a reliable water supply and the challenges all public agencies are facing. Every human being in California has the right to safe, clean, affordable and accessible water. The City of San Diego has banned water shutoffs for non-payment during this public health emergency, as has the Governor via Executive Order. As the full impact of the pandemic is not yet known, we must work to balance the current, short-term, and long-term needs of the region's residents. I understand that the Water Authority believes it has taken all actions possible to mitigate its rate increase, including extensive use of reserves, and that the Metropolitan Board of Directors is scheduled to reconsider its rates in September.

I ask that the Water Authority and its Metropolitan board representatives take all steps possible to reduce rate increases, including the Metropolitan rate increases when they are back before that Board in September. I appreciate your work and the work of your staff and Board of Directors on behalf of our region in these challenging times. Please keep me informed and let me know how I can help.

If you have any questions or comments, please do not hesitate to contact Corinne Wilson at (619) 380-0821 or cswilson@sandiego.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Georgette Gómez", with a long horizontal flourish extending to the right.

Georgette Gómez
Council President, City of San Diego

cc:

City 10 Water Authority Board Members

Water Authority Board of Directors

Sandy Kerl, General Manager, San Diego County Water Authority