



OMWD's "AAA" Bond Rating Reaffirmed as Board Reduces Budget by 2.67 Percent

Budget cuts will save ratepayers over \$1 million through Fiscal Year 2022

Encinitas, CA—At its meeting this evening, Olivenhain Municipal Water District's Board of Directors approved budget cuts following confirmation of OMWD's exceptionally strong financial profile. The board was notified that Fitch Ratings, a global rating agency that offers independent credit opinions, has reaffirmed OMWD's "AAA" bond rating with a stable outlook, the highest possible rating assigned by Fitch. The board also approved a revised budget for Fiscal Years 2021 and 2022 that saves over \$1 million versus the originally approved budget.

OMWD remains one of only a small number of Southern California water agencies that has achieved the AAA rating. In reaffirming the AAA rating, Fitch cited prudent rate-setting, low cost burden, adequate capital investment, and an exceptionally strong financial profile. Additionally, despite annual water rate increases attributable primarily to increased wholesale water costs, Fitch reported that OMWD rates remain highly affordable.

"This is excellent news for OMWD customers," said Christy Guerin, OMWD's Board Treasurer and member of the Finance Committee. "Affirmation of the bond rating, particularly in these challenging times, not only recognizes our strong financial position, but also allows us to obtain lower interest rates and effectively meet future needs of our community."

Higher bond ratings equate to a lower risk of default, so achieving an upgraded bond rating will help to alleviate the upward pressure on water rates resulting from increasing wholesale water costs. This will also afford OMWD lower interest rates when issuing bonds to finance critical new water facilities. Since the debt will be repaid over many years, any improvement in the interest rate for repayment of these bonds will result in significant savings. This protects ratepayers from bearing undue financial burden as OMWD moves forward with water supply projects designed to ensure customers enjoy a safe and reliable water supply well into the future.

Ratepayers will also enjoy shorter-term benefits resulting from the board's approval of the reduced budget.

The budget for Fiscal Years 2021 and 2022, originally approved in 2020, was the first biennial budget adopted by the board, which offers greater predictability than previous single-year budgets. After a mid-term review conducted this spring, OMWD was able to reduce impacts to ratepayers through FY 2022 by over \$1 million versus the originally approved budget, despite rapidly rising costs for materials and liability insurance, and ongoing increases in the cost of water from OMWD's wholesaler, the San Diego County Water Authority.

"Especially considering the economic impact of COVID, our commitment to fiscal discipline is as important as ever," stated Larry Watt, Board President and Finance Committee member. "Yet it's equally important to ensure we've allocated the funding necessary to move forward with critical projects and maintenance to continue reliable water service to our customers. This budget appropriately strikes that balance."

#

Olivenhain Municipal Water District is a public agency providing water, wastewater services, recycled water, hydroelectricity, and operation of Elfin Forest Recreational Reserve. Organized in 1959, OMWD currently serves approximately 87,000 customers over 48 square miles in northern San Diego County.

For Immediate Release

June 16, 2021

Contact

Rainy Selamat
Finance Manager
760-753-6466
rselamat@olivenhain.com

On the Web

<https://www.olivenhain.com/news/omwds-aaa-bond-rating-reaffirmed-as-board-reduces-budget-by-2-67-percent/>

