



San Diego County Water Authority

And Its 24 Member Agencies

4677 Overland Avenue, San Diego, CA 92123

News Release

Ed Joyce
(949) 276-1675 cell
Ejoyce@sdcwa.org

Water Authority Launches Budget-Rate Setting Process for 2024

Board looks for ways to control costs and balance risks; public invited to learn more

March 10, 2023 – The San Diego County Water Authority on Thursday started a months-long public process to refine its next two-year budget and a draft preliminary proposed rate increase for 2024. The average rates charged by the Water Authority are currently projected to rise by approximately 14% next year, though agency staff and board members are assessing strategies to lower the number.

“This budget and rate cycle is unlike any other in the Water Authority’s history because it involves balancing the demands of maintaining water reliability in 310 miles of pipelines with inflationary pressures that we haven’t seen in decades and numerous other factors,” said General Manager Sandra L. Kerl. “We know that the rising cost of water creates downstream impacts, particularly on our most vulnerable populations, and we are leaving no stone unturned in the quest to minimize the cost burden. Those efforts include advocating for state and federal funds, assessing potential new revenue streams, and reassessing how rates are set.”

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.

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-- Sandra L. Kerl, General Manager,
San Diego County Water Authority

At Board direction, the Water Authority's budget-rates process this year started two months earlier than normal, adding uncertainty to the initial projections. The draft recommended budget for 2024 and 2025, including information about next year's preliminary proposed rates, were [posted Thursday on the Water Authority website](#).

Public water agencies don't make a profit; all their revenues are invested in protecting and 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 will vary based on factors that include Water Authority rates, customers' water use, and factors unique to local retail water agencies.

“Costs to support our water reliability mission are rising due to factors beyond our control, like they are for retail water agencies and almost everyone else across all sectors of the economy,” Kerl said. “Inflation has pushed up the cost of energy, steel, chemicals, and other inputs to levels not seen in a generation – and that has significant impacts on our budget. So do increases on the cost of water from the Metropolitan Water District of Southern California, which is charging us about 7% more next year. Unfortunately, we expect these inflationary factors to continue for the foreseeable future.”

In addition, 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 a world where water supplies are both limited and valuable, it's critical that San Diegans continue to do their part to use water as efficiently as possible,” Kerl said. “At the same time, we have to recognize the rate and budget impacts of conservation – not just for us but for all public water suppliers.”

Kerl noted that 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 from the Rate Stabilization Fund, which is expected to be near the bottom of the Board's target range in June. 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.

The budget and rate setting process will occur over the next several months and is open to the public. Water Authority staff will present 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 9 and 11. All workshops are open to the public.

The recommended budget for fiscal years 2024 and 2025 and the proposed rates and charges increase will be formally presented to the Board of Directors on May 25, and they will be

considered by the Board for adoption on June 22. Board meeting schedules are at www.sdcwa.org/about-us/board-of-directors/meetings/.

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The San Diego County Water Authority sustains a \$268 billion regional economy and the quality of life for 3.3 million residents through a multi-decade water supply diversification plan, major infrastructure investments and forward-thinking policies that promote fiscal and environmental responsibility. A public agency created in 1944, the Water Authority delivers wholesale water supplies to 24 retail water providers, including cities, special districts and a military base.

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