



Setting Standards of
Excellence in Public Service

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March 23, 2023

General Manager Sandra Kerl
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Regarding: 2024 and 2025 Budget and Rate Setting

Dear General Manager Kerl:

We appreciate the San Diego County Water Authority's commitment to transparency and inclusiveness in the fiscal year 2024 and 2025 budget and rate setting process. It is clear the Water Authority takes its responsibility seriously in supporting a \$268 billion regional economy and serving 3.3 million residents. This is reflected in the leadership the Water Authority demonstrates locally, throughout the state and federally on a vast array of water, environmental and sustainability issues.

While early in the budget and rate setting process for fiscal years 2024 and 2025, the Water Authority has communicated to member agencies that it will potentially recommend a 14% water rate increase.

This significant level of increase would have onerous and far-reaching impacts at a time that both member agencies and their customers continue to struggle with a shaky and questionable fiscal future, as local and nationwide issues including inflation, supply chain disruptions, income loss and sustained market instability continue to hamper economic conditions.

Member agencies and their boards have been faced with making difficult decisions in order to balance fulfilling their responsibilities to keep their agencies safely running while also managing cost impacts to their customers. Programs have been cut back, staffing levels have been adjusted or reduced, and projects have been deferred or scaled back in order to reduce costs.

A Water Authority rate increase of 14% would make it even more challenging for member agency customers to pay their water bills, while effectively eliminating the many cost saving measures individual member agencies have made. It is very important to note that many of these agencies are currently operating under an existing approved Proposition 218 Notice that caps the Water Authority pass-through at a level less than the potential 14% increase.

This leaves member agencies with two equally unacceptable options: 1) absorb the additional costs into an already tight budget or 2) scrap their existing approved rates and immediately begin a new Proposition 218 Notice process. Neither option is welcomed, with both requiring additional resources and unplanned costs for member agencies.

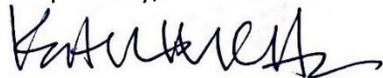
Board of Directors
Kathleen Coates Hedberg, President
Daniel H. McMillan, Vice President
Andrea Beth Damsky, Division 2
Mark Gracyk, Division 3
Joel A. Scalzitti, Division 5

The initial communications regarding the Water Authority budget include items that will continue to allow it to maintain its reliable level of service to the region. This is expected and in alignment with the Water Authority's adherence to its mission. Member agencies do not want the Water Authority to operate in a manner that is reckless or takes unnecessary risks.

However, in the current climate, the anticipated budget and associated rate increase are not in alignment with the reality and risks faced at the member agency level. Also notably, for those member agencies currently in or about to enter the Proposition 218 noticing period, an increase in the pass-through rate of this magnitude will literally place them in the crossfire of concerned residents. It exposes them to public backlash, seriously jeopardizing these member agencies' ability to adjust the revenue levels required to operate and support the Water Authority.

We look forward to working with the Water Authority over the next few months to make adjustments to the budget and resulting rates, so as to find a balance that will meet the needs of the Authority, its member agencies and -- most importantly -- the customers that fund it in its entirety.

Respectfully,



Kathleen Coates Hedberg, PE, MPH
Board President

CC: SDCWA Board of Directors

Attachment 1: Signatories

Signatories



Charley Wolk
Board President
Fallbrook Public Utility District

Hector Martinez
Board President
Sweetwater Authority



Bill Pommering
Board President
Padre Dam Municipal Water District