

Facing Significant Increases in Purchased Water Wholesale Cost, OMWD Board to Consider a 2.6% Revenue Adjustment on Water Rates and Charges for 2021

OMWD works to maintain water rates that are fair and equitable to all customers, and in compliance with state law. These rates must also adequately fund operations, maintenance, and capital needs to allow us to continue delivering high-quality water you can count on every time you turn on your tap. Our rates continue to be in the lower half of San Diego County water agencies.

Our largest expense is the cost of water that we purchase from San Diego County Water Authority. SDCWA, in turn, purchases a substantial portion of its water supplies from Metropolitan Water District of Southern California. OMWD also supplements our own recycled water supplies with those purchased from other public agency water suppliers.

On June 25, 2020, SDCWA adopted purchased water wholesale cost increases for calendar year 2021. Effective January 1, 2021, SDCWA increased by 4.8% the cost of untreated water that OMWD purchases. Additionally, SDCWA increased by 15.8% its Infrastructure Access Charge.

According to SDCWA, the 2021 increases are due to increases in SDCWA's water supply costs from MWD and Imperial Irrigation District, additional costs to treat desalinated water from the Claude "Bud" Lewis Carlsbad Desalination Plant, and debt service payments.

Board to Consider... continued on page 2



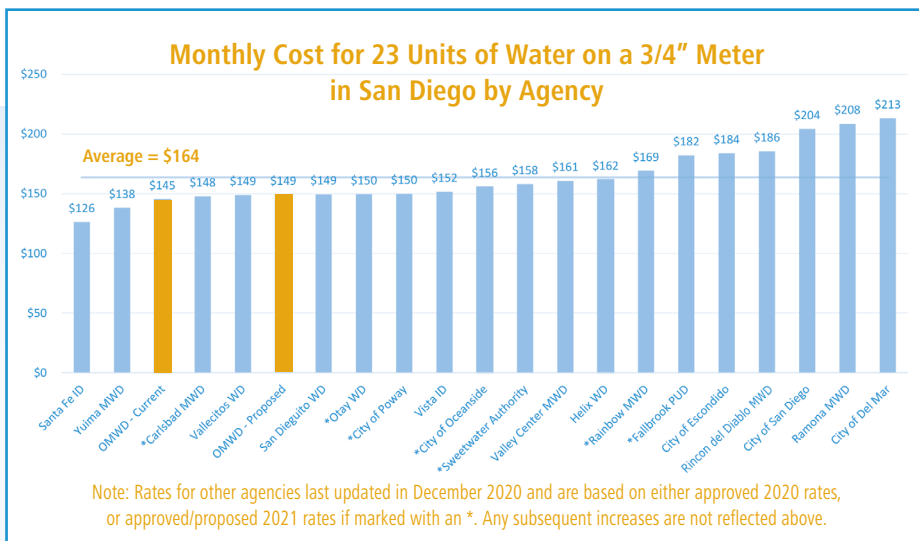
Impact to Average Customer's Monthly Bill

- The average residential customer using 23 units will see an increase of approximately of \$3.88
- A residential customer who uses 6 units will see an estimated \$1.84 increase



How Will This Affect My Water Bill?

A typical OMWD customer's water bill includes an OMWD System Access Charge, a SDCWA Infrastructure Access Charge, and a Commodity Charge for each unit of water. Residential water rates are charged based on a four-tiered structure designed to encourage water conservation. A unit of water is 748 gallons.



OMWD's average residential customer will still pay less than the average water bill in the county for the same amount of water used.



Published by Olivenhain Municipal Water District in the interest of an informed public.

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Please visit our website at www.olivenhain.com for dates.

MISSION STATEMENT

Olivenhain Municipal Water District is a multi-functioning public agency that is dedicated and committed to serving present and future customers in a service-oriented manner by:

Water

Providing safe, reliable, high-quality drinking water while exceeding all regulatory requirements in a cost-effective and environmentally responsive manner.

Recycled Water

Providing recycled water and wastewater treatment in the most cost-effective and environmentally responsive method.

Parks

Safely operating Elfin Forest Recreational Reserve and providing all users with a unique recreational, educational, and environmental experience.

Emergency Management

Complying with policies and procedures that adhere to local, state, and federal guidelines for national security and disaster preparedness.

Sustainable Operations

Pursuing alternative and/or renewable resources with the most sustainable, efficient, and cost-effective approach.

Board to Consider... *continued from page 1*

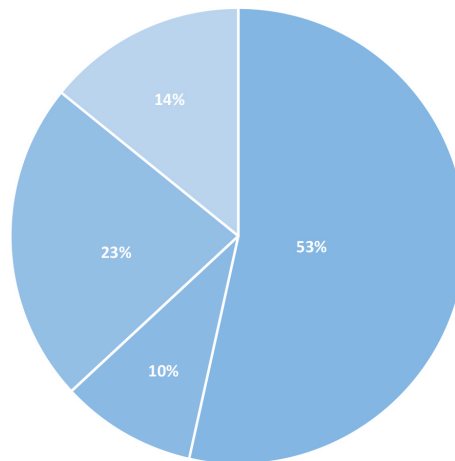
In response to these cost increases, OMWD's Board of Directors will consider Pass-Through Increases and Adjustments to OMWD's potable and recycled commodity rates and fixed monthly charges at **5:30 p.m. during its March 17, 2021 board meeting**. If approved by the board, OMWD customers will see these adjusted rates and charges effective April 1, 2021.

Comments may be submitted via email at skaufmann@olivenhain.com or mail at 1966 Olivenhain Road, Encinitas, CA 92024. Additionally, the board will consider all public comments made at the March 17 board meeting. Please use "Rate Comment" as the subject line in any correspondence.

About half of an OMWD customer's water bill goes to SDCWA for untreated water costs. The remaining funds are used to:

- Cover costs of operations and maintenance;
- Support capital infrastructure improvements needed to repair, replace, and update aging infrastructure;
- Keep all financial commitments through compliance with debt service requirements; and
- Achieve financial stability in order to sustain operations.

How Customer Payments Collected From OMWD Water Rates and Charges are Used



- Purchased Water Cost - 53%
- Debt Service Obligation - 10%
- OMWD's Operation and Maintenance - 23%
- Water Capital Infrastructure Replacement and Improvements - 14%

2021 Pass-Through Increases and Adjustments

The proposed Pass-Through Increases and Adjustments include:

- A 4.8% increase to untreated water and recycled water costs;
- A 1.93% increase in the costs of operating and maintaining the water system and capital facilities based on year-over-year percent change in the San Diego County Consumer Price Index for All Urban Consumers (CPI); and
- A 9% increase in SDCWA's Infrastructure Access Charge. (SDCWA's Infrastructure Access Charge was increased by 15.8% per ¾" meter equivalent effective January 1, 2021.)

The proposed Commodity Charge and OMWD System Access Charge increases shown in the tables on page 3 are less than OMWD's planned increases of 5% per year.





Current Commodity Charge Effective March 1, 2020 (1 unit = 748 gallons) ¹				
NON-SHORTAGE		WATER SUPPLY SHORTAGE RATES		
CUSTOMER TYPE	COMMODITY CHARGE BASE RATES	10% DEMAND REDUCTION RATES ²	20% DEMAND REDUCTION RATES ²	30% DEMAND REDUCTION RATES ²
Domestic				
Tier 1: 0-6 Units	\$3.30	\$3.53	\$3.80	\$4.15
Tier 2: 7-23 Units	\$4.90	\$5.13	\$5.40	\$5.75
Tier 3: 24-80 Units	\$5.49	\$5.72	\$5.99	\$6.34
Tier 4: 80+ Units	\$6.58	\$6.81	\$7.08	\$7.43
Agricultural³	\$5.42	\$5.65	\$5.92	\$6.27
Combined Agricultural/Domestic				
First 23 Units per month: Follow Domestic rate structure.				
Over 23 Units per month: Follow Agricultural rate structure.				
Commercial Irrigation⁴	\$4.59	\$4.82	\$5.09	\$5.44
Tier 1	\$5.20	\$5.43	\$5.70	\$6.05
Tier 2	\$5.57	\$5.80	\$6.07	\$6.42
Construction	\$6.65	\$6.88	\$7.15	\$7.50
Recycled	\$3.61	Shortage rates do not apply		

Current and Proposed OMWD System Access Charge (SAC) ^{1,5}				
Meter Size	Current	Pass-Through Increases and Adjustments		Proposed (Effective April 1, 2021, if approved)
		\$	%	
5/8"	\$29.41	\$0.75	2.55%	\$30.16
3/4" *	\$38.46	\$0.98	2.55%	\$39.44
1"	\$65.60	\$1.67	2.55%	\$67.27
1-1/2"	\$101.79	\$2.58	2.53%	\$104.37
2"	\$159.10	\$4.03	2.53%	\$163.13
2-1/2"	\$288.78	\$7.32	2.53%	\$296.10
3"	\$315.93	\$8.00	2.53%	\$323.93
4"	\$524.03	\$13.27	2.53%	\$537.30
6"	\$1,094.04	\$27.70	2.53%	\$1,121.74
8"	\$1,968.66	\$49.84	2.53%	\$2,018.50

Proposed Commodity Charge (Effective April 1, 2021, if approved)				
NON-SHORTAGE		WATER SUPPLY SHORTAGE RATES		
CUSTOMER TYPE	COMMODITY CHARGE BASE RATES	10% DEMAND REDUCTION RATES ²	20% DEMAND REDUCTION RATES ²	30% DEMAND REDUCTION RATES ²
Domestic				
Tier 1: 0-6 Units	\$3.39	\$3.62	\$3.89	\$4.24
Tier 2: 7-23 Units	\$5.02	\$5.25	\$5.52	\$5.87
Tier 3: 24-80 Units	\$5.63	\$5.86	\$6.13	\$6.48
Tier 4: 80+ Units	\$6.74	\$6.97	\$7.24	\$7.59
Agricultural³	\$5.55	\$5.78	\$6.05	\$6.40
Combined Agricultural/Domestic				
First 23 Units per month: Follow Domestic rate structure.				
Over 23 Units per month: Follow Agricultural rate structure.				
Commercial Irrigation⁴	\$4.71	\$4.94	\$5.21	\$5.56
Tier 1	\$5.33	\$5.56	\$5.83	\$6.18
Tier 2	\$5.71	\$5.94	\$6.21	\$6.56
Construction	\$6.81	\$7.04	\$7.31	\$7.66
Recycled	\$3.65	Shortage rates do not apply		

Irrigation Unit Allotments Tier 1 allotment: Based upon water use by meter size ^{1,4} (No changes are proposed)		
Meter Size	Winter (Dec-May)	Summer (Jun-Nov)
5/8"	10	15
3/4"	20	30
1"	35	50
1-1/2"	50	110
2"	100	200
3"	200	500
4"	600	3,500
6"	3,100	11,800
8"	5,600	21,300

Notes to the tables above

* Typical residential meter size

- (1) The Current Commodity Charge, OMWD System Access Charge, and Irrigation Unit Allotments were approved and adopted by OMWD's Board of Directors. These rates and charges are currently used to calculate OMWD's monthly water bill.
- (2) Demand Reduction Rates would only be implemented by General Manager or board action under the terms of OMWD's Water Supply Shortage Condition Ordinance. Such action is generally triggered by SDCWA's and/or MWD's declaration of a specific level of water shortage.
- (3) The Agricultural water rate is available only to those who meet program criteria. Visit www.olivenhain.com/ag for details.
- (4) For irrigation, all monthly water usage in excess of Tier 1 allotment shown in the table is charged at Irrigation Tier 2 rate.
- (5) OMWD's System Access Charge is designed to cover a portion of the fixed costs of OMWD's operation. These costs include maintenance of meters and water infrastructure, debt service, depreciation, and customer service costs for meter reading and billing.

At the March 17, 2021 meeting, OMWD’s board will also consider implementing an increase to OMWD’s fixed monthly fire service charge shown in the table below.

Current and Proposed OMWD Fire Meter Charge Rates (\$/Meter Size) ¹				
Meter Size	Current	Change	% Change Option	Proposed ² (Effective April 1, 2021, if approved)
5/8"	\$4.82	\$0.24	5.0%	\$5.06
3/4"	\$4.82	\$0.24	5.0%	\$5.06
1"	\$5.42	\$0.27	5.0%	\$5.69
1-1/2"	\$6.21	\$0.31	5.0%	\$6.52
2"	\$7.48	\$0.37	4.9%	\$7.85
2-1/2"	\$10.34	\$0.51	4.9%	\$10.85
3"	\$10.93	\$0.54	4.9%	\$11.47
4"	\$15.52	\$0.77	5.0%	\$16.29
6"	\$28.09	\$1.40	5.0%	\$29.49
8"	\$47.37	\$2.36	5.0%	\$49.73

- OMWD’s Fire Meter Charge is a fixed monthly service fee collected on certain properties as a condition of extending or initiating water service by (1) the installation of a private fire suppression system, and (2) upon request from an OMWD customer for the delivery of water to the property for the purpose of fire service protection.
- As shown on OMWD’s Proposition 218 notice.

Current and Proposed SDCWA Infrastructure Access Charge (IAC) ²				
Meter Size	Current	Change	% Change Option	Proposed ¹ (Effective April 1, 2021, if approved)
5/8"	\$3.66	\$0.32	8.7%	\$3.98
3/4" *	\$3.66	\$0.32	8.7%	\$3.98
1"	\$6.96	\$0.62	8.9%	\$7.58
1-1/2"	\$11.35	\$1.02	9.0%	\$12.37
2"	\$18.30	\$1.64	9.0%	\$19.94
2-1/2"	\$34.04	\$3.06	9.0%	\$37.10
3"	\$37.34	\$3.36	9.0%	\$40.70
4"	\$62.59	\$5.63	9.0%	\$68.22
6"	\$131.76	\$11.85	9.0%	\$143.61
8"	\$237.90	\$21.41	9.0%	\$259.31

* Typical residential meter size

- SDCWA IAC increases shown above are the maximum charges that could be imposed by OMWD pursuant to the Proposition 218 notice for Pass-Through Increases and Adjustments. The SDCWA IAC Pass-Through Increases and Adjustments shown above are less than the actual increases from SDCWA effective January 1, 2021.
- SDCWA IAC is a pass-through monthly fixed charge imposed by SDCWA on all OMWD water meters and is designed to cover a portion of SDCWA’s costs for constructing water supply, transportation, and storage projects over a 30-year forecast horizon to ensure SDCWA meets the projected water supply needs for the region. OMWD collects the monthly SDCWA IAC on OMWD’s customers’ water bills on SDCWA’s behalf.

OMWD Increases in Rates and Charges vs. Cost Increases Incurred by OMWD

Considering the challenges that our customers are facing as a result of COVID-19, OMWD has taken many steps to keep rate increases to a minimum. First, OMWD has been successful in managing costs through conservative financial planning. Leveraging our AAA/AA+ credit ratings by Fitch and Standard and Poor’s, OMWD has access to low borrowing costs and uses cash or debt financing, when appropriate, to finance capital replacement and improvement needs in order to avoid rate spikes. Ongoing repairs, replacement, and betterment of water infrastructure remain a key element for reliable and dependable water service.

OMWD has delayed non-critical water infrastructure projects to future years to reduce near-term capital expenditures. Cost-containment efforts in fiscal year 2021 have reduced water operation and maintenance costs despite increases in chemical, supply, and other COVID-19 related costs since COVID-19 began. Additionally, OMWD actively pursues funding opportunities from state and federal programs for reimbursement of COVID-19 supply costs as well as water infrastructure projects. Finally, we continue efforts to expand our recycled water systems to be less dependent on SDCWA.

