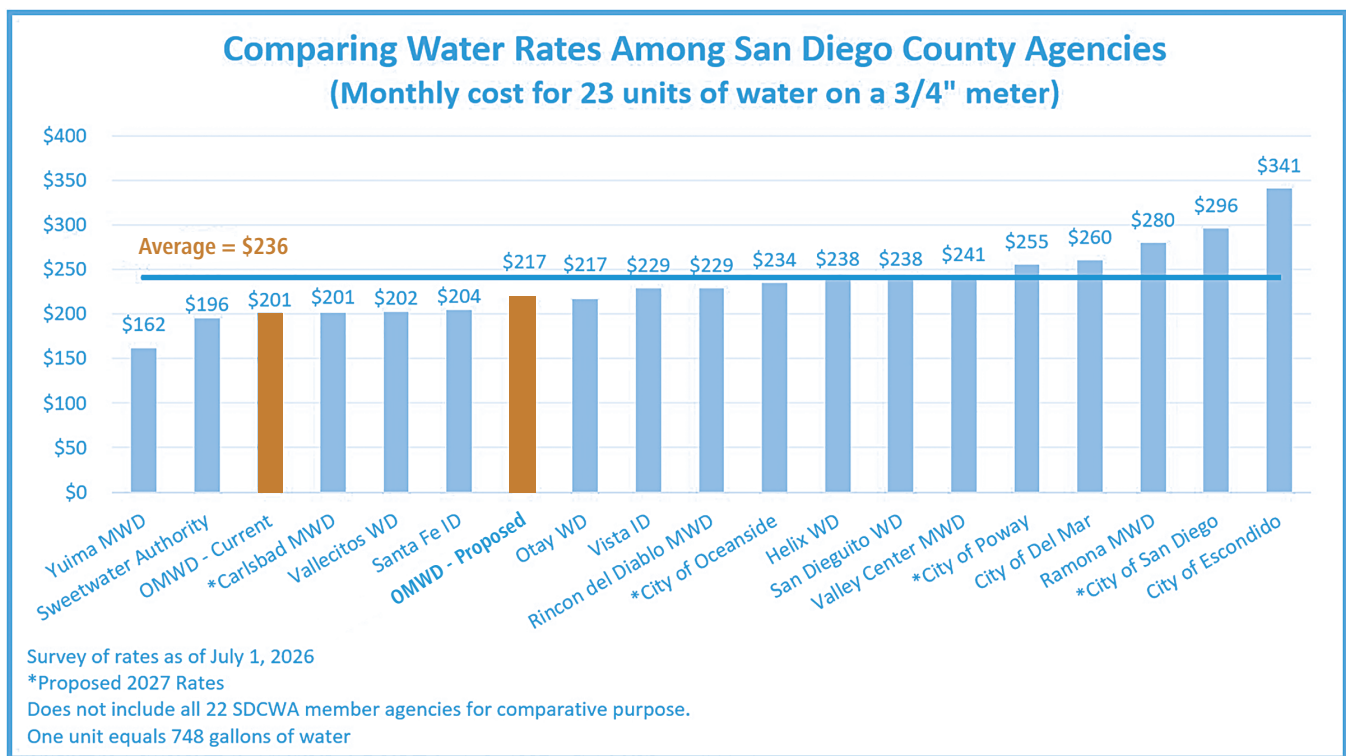


OMWD Board to Consider a 7.27% Revenue Adjustment for 2027

Water rates would remain in the lower half among San Diego County water agencies

OMWD purchases all of our drinking water supply from the regional water wholesaler, San Diego County Water Authority. Effective January 1, 2027, OMWD's cost to purchase water will increase by approximately 9.5%.



Due to this increase and other operational cost increases, OMWD's Board of Directors will consider a 7.27% revenue adjustment at its October 14, 2026 meeting.

If approved, the average monthly water bill for an OMWD customer would be lower than average among San Diego County water agencies. OMWD water will still cost about a penny a gallon.

What is the Reason for a 7.27% Revenue Adjustment?

Our water rates cover the actual costs of providing customers with safe and reliable water. OMWD does not make a profit. We invest every dollar paid by customers into operations, maintenance, and infrastructure needs.

When our expenses increase, it is necessary to pass these increases on to customers through a revenue adjustment. This allows OMWD to continue providing high-quality water service and maintaining our infrastructure.



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

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BOARD MEETING DATES

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.

What is the Reason... | Continued from page 1

There are two reasons for the proposed 7.27% revenue adjustment: higher
wholesale water costs and inflation.

Higher Wholesale Water Costs

**Buying water from our wholesaler, SDCWA, is OMWD's largest
expense. This accounts for about half of our total operating costs.**

In June, SDCWA approved its wholesale water rates for 2027. Its fixed
charges will increase by 9.2%. While there will be no increase in the cost
to buy raw water, the cost to buy treated water will increase by 15.1%.
The projected overall increase in OMWD's cost to purchase water in 2027 is
9.5%.

OMWD typically purchases raw water and treats it at David C. McCollom
Water Treatment Plant. However, when we are performing work at the
treatment plant, OMWD must buy treated water from SDCWA, which is
more expensive. In a typical year, less than 10% of the water that we
serve is treated by SDCWA.

In 2027, OMWD will conduct improvements to our treatment plant that
will require us to buy more treated water (about 33%) than usual. This
work is scheduled for lower-usage months to minimize how much treated
water OMWD will need to buy. If OMWD did not have to purchase extra
treated water in 2027, the proposed revenue adjustment would have been
approximately 3.14%, demonstrating how cost-effective it is for OMWD to
treat raw water at our treatment plant. Once the work is completed, OMWD
will resume buying raw water and treating it ourselves.

As a result of the work to upgrade our plant and the 15.1% increase to buy
treated water, the projected overall increase in OMWD's cost to purchase
water in 2027 is 9.5%.

OMWD also buys recycled water from four local providers to serve our
irrigation customers. In 2027, OMWD's cost to buy recycled water from
these providers will increase by 5.28%.

Inflation

Inflation is the other contributing factor. Based on changes in the San
Diego/Carlsbad Consumer Price Index from May 2025 to May 2026, inflation
increased by 3.77%, raising OMWD's operating costs.

The impact of the proposed 7.27% revenue adjustment to OMWD's water
rates and charges is shown on pages 3 and 4 in the OMWD Commodity
Rates, OMWD System Access Charge, OMWD Fire Meter Charge, and the
SDCWA Infrastructure Access Charge tables.

Comments about the proposed revenue adjustment may be submitted via
email to skaufmann@olivenhain.com. Please use "Rate Comment" as the
subject line in any correspondence. Additionally, the board will consider all
public comments made at the October 14 board meeting.

How Will the Revenue Adjustment Affect My Water Bill?

The impact of the proposed 7.27% revenue adjustment varies based on
each customer's meter size, customer type, and usage tier. A residential
customer's water bill includes a commodity rate for each unit of water used.
The commodity rate is based on water consumption across tiers designed to
recover the cost of providing water service in each tier. The water bill also
has two fixed monthly access charges: OMWD's System Access Charge and
SDCWA's Infrastructure Access Charge.

The average residential customer using 23 units (~17,200 gallons) a month
will see an increase of approximately \$15.63.

A residential customer who uses six units (~4,500 gallons) a month will see
an estimated increase of \$6.96.

If approved by the board, the proposed changes to OMWD's water rates and
charges will take effect with water use beginning January 1, 2027.





Current Commodity Charge Effective January 1, 2026 (1 unit = 748 gallons) ⁽¹⁾				
	NON-SHORTAGE	WATER SUPPLY SHORTAGE RATES		
CUSTOMER TYPE	(Base) Rates	10% Demand Reduction Rates ⁽²⁾	20% Demand Reduction Rates ⁽²⁾	30% Demand Reduction Rates ⁽²⁾
Domestic				
0-6 Units	\$4.71	\$5.01	\$5.39	\$5.83
7-23 Units	\$6.76	\$7.06	\$7.44	\$7.88
24-80 Units	\$7.57	\$7.87	\$8.25	\$8.69
80+ Units	\$8.55	\$8.85	\$9.23	\$9.67
Agricultural⁽³⁾	\$7.22	\$7.52	\$7.90	\$8.34
Combined Agricultural/Domestic				
First 23 Units per month: Follow Domestic rate structure.				
Over 23 Units per month: Follow Agricultural rate structure.				
Commercial	\$6.43	\$6.73	\$7.11	\$7.55
Irrigation⁽⁴⁾				
Tier 1	\$7.23	\$7.53	\$7.91	\$8.35
Tier 2	\$8.16	\$8.46	\$8.84	\$9.28
Construction	\$8.97	\$9.27	\$9.65	\$10.09
Recycled	\$4.70	Shortage rates do not apply		

Proposed Irrigation Unit Allotments ⁽⁴⁾ (No changes are proposed) Tier 1 Allotment / Based upon water use by meter size		
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

Proposed Commodity Charge Effective January 1, 2027 (1 unit = 748 gallons)				
	NON-SHORTAGE	WATER SUPPLY SHORTAGE RATES		
CUSTOMER TYPE	(Base) Rates	10% Demand Reduction Rates ⁽²⁾	20% Demand Reduction Rates ⁽²⁾	30% Demand Reduction Rates ⁽²⁾
Domestic				
0-6 Units	\$5.20	\$5.50	\$5.88	\$6.32
7-23 Units	\$7.27	\$7.57	\$7.95	\$8.39
24-80 Units	\$8.10	\$8.40	\$8.78	\$9.22
80+ Units	\$9.12	\$9.42	\$9.80	\$10.24
Agricultural⁽³⁾	\$7.76	\$8.06	\$8.44	\$8.88
Combined Agricultural/Domestic				
First 23 Units per month: Follow Domestic rate structure.				
Over 23 Units per month: Follow Agricultural rate structure.				
Commercial	\$6.93	\$7.23	\$7.61	\$8.05
Irrigation⁽⁴⁾				
Tier 1	\$7.77	\$8.07	\$8.45	\$8.89
Tier 2	\$8.74	\$9.04	\$9.42	\$9.86
Construction	\$9.56	\$9.86	\$10.24	\$10.68
Recycled	\$4.88	Shortage rates do not apply		

Current and Proposed OMWD System Access Charge (SAC) ⁽¹⁾⁽⁵⁾		
Meter Size	Current	Proposed Effective January 1, 2027
5/8"	\$40.72	\$43.55
3/4" *	\$53.19	\$56.89
1"	\$90.58	\$96.90
1-1/2"	\$140.41	\$150.21
2"	\$219.33	\$234.65
2-1/2"	\$397.94	\$425.75
3"	\$435.33	\$465.74
4"	\$721.93	\$772.37
6"	\$1,506.96	\$1,612.27
8"	\$2,711.51	\$2,900.99

Notes to the tables

* Typical residential meter size

- (1) OMWD's board approved current rates and charges at our October 15, 2025 meeting. These rates and charges are currently used to calculate monthly water bills.
- (2) The General Manager or board would implement Demand Reduction Rates only under the terms of OMWD's Water Shortage Contingency Plan. Such action is generally triggered by SDCWA's and/or Metropolitan's declaration of a specific level of water shortage. Neither SDCWA nor Metropolitan anticipate water shortages in 2027.
- (3) The Agricultural water rate is available only to those who meet the program criteria. Visit www.olivenhain.com/ag for details.
- (4) For irrigation, all monthly water usage that is more than the Tier 1 allotment shown in the table will be charged at the Irrigation Tier 2 rate.
- (5) OMWD designed the System Access Charge to cover a portion of the fixed costs of OMWD's operation. These costs include the maintenance of meters and water infrastructure, repayment of money borrowed, and expenses for meter reading and billing.

Current and Proposed OMWD Fire Meter Charge (\$/Meter Size) ⁽¹⁾		
Meter Size	Current	Proposed Effective January 1, 2027
5/8"	\$6.50	\$6.89
3/4"	\$6.50	\$6.89
1"	\$7.29	\$7.73
1-1/2"	\$8.32	\$8.82
2"	\$9.96	\$10.56
2-1/2"	\$13.67	\$14.50
3"	\$14.44	\$15.31
4"	\$20.40	\$21.63
6"	\$36.71	\$38.92
8"	\$61.73	\$65.44

Current and Proposed SDCWA Infrastructure Access Charge (IAC) ⁽²⁾		
Meter Size	Current	Proposed Effective January 1, 2027
5/8"	\$4.55	\$4.87
3/4" *	\$4.55	\$4.87
1"	\$8.65	\$9.25
1-1/2"	\$14.11	\$15.10
2"	\$22.75	\$24.35
2-1/2"	\$42.32	\$45.29
3"	\$46.41	\$49.67
4"	\$77.81	\$83.28
6"	\$163.80	\$175.32
8"	\$295.75	\$316.55

* Typical residential meter size

- (1) OMWD's Fire Meter Charge is a fixed monthly service fee collected on certain properties. These properties have private fire suppression systems and use OMWD water for fire protection.
- (2) SDCWA's IAC is a pass-through monthly fixed charge imposed by SDCWA on all OMWD water meters. SDCWA designed it to cover a portion of SDCWA's costs over a 30-year period, ensuring that SDCWA meets the projected water supply needs for the region. OMWD collects the SDCWA IAC on OMWD's customers' monthly water bills on SDCWA's behalf.

What is OMWD Doing to Control Costs?

OMWD strives to keep controllable operating costs below the cost of inflation.

OMWD also pursues grant funding to help pay for capital projects to maintain infrastructure and develop local water supplies. OMWD is pursuing \$11.5 million in state and federal funds for our treatment plant's maintenance and upgrade work. Additionally, US Environmental Protection Agency has awarded OMWD \$960,000 for our San Dieguito Valley Brackish Groundwater Desalination Hydrogeologic Investigation Project.

OMWD challenges employees to reduce costs, finding new ways to accomplish existing practices. OMWD has also identified alternative revenue sources such as using hydroelectricity, selling treatment services to other nearby water agencies, and leasing property.

Altogether, these grant awards, alternative revenues, and cost-saving efforts save OMWD ratepayers an average of over \$3.5 million per year.

OMWD received over \$2 million in state and federal grant funds to complete the Manchester Avenue Recycled Water Pipeline Project.

