



30-DAY NOTICE OF WATER RATE INCREASES

EFFECTIVE FEBRUARY 8, 2021

This is strictly a pass through of rate increases from the San Diego County Water Authority. Rainbow Municipal Water District will not keep any of these increases.

DETAILS:

NOTICE IS HEREBY GIVEN THAT the Board of Directors of Rainbow Municipal Water District (the "District") will pass through the San Diego County Water Authority ("SDCWA") rate increases for Purchased Wholesale Water effective February 8, 2021.

REASONS FOR THE PROPOSED RATE INCREASES:

The District purchases all of its water from the San Diego County Water Authority ("SDCWA"). On Average, nearly 70 cents of each dollar in your water bill goes straight to SDCWA for water purchases. Starting January 1, 2020 SDCWA increased the rates for wholesale water delivered to the District and will do so again starting January 1, 2021. For calendar year 2020, the Rainbow MWD Board of Directors decided to hold the line on rate increases to our customers and did not pass through the rate increase from SDCWA. This created a financial loss of approximately \$950,000 for the District for CY2020.

Rainbow MWD operates as efficiently as possible in order to keep rates as low as possible. Absorbing the 2021 increase from SDCWA in addition to the 2020 increase would require a cut back on the vital services we provide here in our community. Given this situation, the Rainbow MWD Board of Directors, in consultation with its ratepayer led Budget and Finance Committee, has determined that absorbing an additional loss of \$750,000, the new rate increase from SDCWA, will not be possible.

Therefore, beginning with your February 2021 water bill, the District will pass through these SDCWA rate increases to our customers. These increases from SDCWA will likely result in an average bill increase of about \$5.53 to \$7.13 per month for single family residential, between \$21.10 to \$61.10 for agriculture for medium usage and high usage respectively. Every penny of this rate increase will be sent to SDCWA – RMWD will not keep any of these funds locally. Even though we have certain increased costs for supplies, energy, etc., we are doing everything we can to make cuts where possible to keep rates as low as possible.

As noted above, imported water costs represent nearly 70% of our total expenses. With almost 350 miles of now very old, high pressure pipelines, the rest of your bill goes to the work our staff does to operate and maintain these systems and keep the water flowing to your homes, businesses, and groves. Since there are no viable local supplies in our area, we are 100% dependent on imported water to serve our customers and have been obtaining this water through the SDCWA since 1954.

Over the last 20 years, the cost of imported water has risen dramatically, so we evaluated other options to obtain water to serve you. As many of you are aware, the District has filed an application with the San Diego Local Agency Formation Commission (LAFCO) to change our wholesale water supplier to the Eastern Municipal Water District (EMWD).

We believe EMWD can deliver us the same water, through the same pipelines, with the same quality and reliability as SDCWA, but at a significantly lower cost. While we had hoped to bring the detachment matter to the ratepayers for a decision in the Fall 2020 election, this was not possible.

Had we been buying our water from EMWD this rate increase would not be needed at all. In fact, depending on what sort of conditions LAFCO places on our detachment, if we succeed, we will likely be able to both fund the much-needed replacement of failing pipelines AND provide rate relief. If we are unsuccessful, we will be unable to source our water at the lower rate and the fact is the old pipelines will still need replacement. To highlight the required investment, we forecast the need to spend \$3 to \$4 Million per year in a pipe replacement program. However, we pay SDCWA about \$6 Million per year above and beyond what EMWD charges for the same water, from the same treatment plant, using the same pipelines. You can easily see how those savings could be put to use in our District. We will be holding a series of public meetings over the next few months to discuss the impact of higher SDCWA water costs and to prioritize the most efficient and effective allocation of funds for the District Capital Project Plan.

During the Annual Budget process April - June 2020, following multiple roadblocks put up by the SDCWA on the detachment effort, it was determined the upcoming calendar year 2021 SDCWA rate increases would need to be passed through to the District customers. Approval for this increase was included as part of the board action when adopting the Annual Budget for FY 20/21 and is included in Ordinance 20-10, "The proposed amount of the San Diego County Water Authority Rate pass-through, as allowed shall be increased effective 01/01/2021." In addition, at the last rate increase hearing in March 2019, the board's approval of Ordinance 19-04, also gave the District authority to continue to pass through the SDCWA increases.

HOW THE WATER RATES ARE CALCULATED:

The District's rate structure for monthly water service fees is comprised of four components:

- (1) a SDCWA Fixed Charge ("**SDCWA Fixed**"), which is a fixed monthly charge established by SDCWA on the basis of the meter size and the size of the parcel of property receiving water service;
- (2) a Rainbow Municipal Water District Operations and Maintenance Charge ("**RMWD O&M Charge**"), which also is a fixed monthly charge established on the basis of the meter size required for the parcel of property receiving water service;
- (3) a **pumping charge** consisting of both a fixed monthly charge and variable charges based on the pump zone of the property; and
- (4) a **Water Consumption** charge determined by the amount of water served to a parcel of property in units of water (one unit of water is equivalent to approximately 748 gallons of water). For the purpose of rate calculations, the meter counts are updated to reflect the most recent connections.

The SDCWA Fixed Charge is imposed by SDCWA on the District for the purpose of recovering certain SDCWA infrastructure costs. The Infrastructure Access Charge is a fixed charge established on the basis of the size of the customer's meter and imposed on the District by SDCWA and passed through to our customers.

The RMWD O&M Charge is calculated on the basis of recovering certain fixed costs of the District to operate, maintain, and deliver water to its customers. These costs include, among others, meter reading, billings and collections, customer service, water facilities repair and maintenance, meter reading, and certain other costs imposed on the District by SDCWA.

The Commodity Charge is a variable charge and generally consists of tiers which impose different rates per unit of water as the level of consumption increases. The rates for the variable Commodity Charge are based on the number of units of water delivered to a property and the water customer classification. These rates are calculated on the basis of the cost of providing water and infrastructure, purchasing water from SDCWA, and managing the District's water resources.

The rates for all four components of the District's water service fees are structured in such a way as to proportionately allocate costs of providing water to each customer class and manage the District's water resources.

The current and proposed rate increases are described in the tables below. The rate increases will be effective on and after February 8, 2021. In addition to the water service charges described here, the District also imposes a fixed monthly fire standby charge 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 of the consumer or property owner for delivery of water to the property for the purpose of fire service protection.

Fixed Rates Effective January 1, 2021

RMWD + SDCW	Current	January 2021	(\$)	(%)
SFR, MFR, COM, INST				
5/8"	\$ 65.56	\$ 67.09	\$ 1.53	2.33%
3/4"	\$ 65.56	\$ 67.09	\$ 1.53	2.33%
1"	\$ 105.59	\$ 108.14	\$ 2.55	2.42%
1 1/2"	\$ 205.62	\$ 210.72	\$ 5.10	2.48%
2"	\$ 325.67	\$ 333.83	\$ 8.16	2.51%
3"	\$ 705.81	\$ 723.66	\$ 17.85	2.53%
4"	\$ 1,266.04	\$ 1,298.17	\$ 32.13	2.54%
6"	\$ 2,606.55	\$ 2,672.85	\$ 66.30	2.54%
AG				
5/8"	\$ 94.25	\$ 95.78	\$ 1.53	1.62%
3/4"	\$ 94.25	\$ 95.78	\$ 1.53	1.62%
1"	\$ 153.36	\$ 155.91	\$ 2.55	1.66%
1 1/2"	\$ 301.20	\$ 306.30	\$ 5.10	1.69%
2"	\$ 478.61	\$ 486.77	\$ 8.16	1.70%
3"	\$ 1,040.37	\$ 1,058.22	\$ 17.85	1.72%
4"	\$ 1,868.25	\$ 1,900.38	\$ 32.13	1.72%
6"	\$ 3,849.18	\$ 3,915.48	\$ 66.30	1.72%
TSAWR/PSAWR				
5/8"	\$ 77.36	\$ 78.41	\$ 1.05	1.36%
3/4"	\$ 77.36	\$ 78.41	\$ 1.05	1.36%
1"	\$ 125.21	\$ 126.96	\$ 1.75	1.40%
1 1/2"	\$ 244.89	\$ 248.40	\$ 3.51	1.43%
2"	\$ 388.52	\$ 394.13	\$ 5.61	1.44%
3"	\$ 843.30	\$ 855.57	\$ 12.27	1.45%
4"	\$ 1,513.53	\$ 1,535.61	\$ 22.08	1.46%
6"	\$ 3,117.21	\$ 3,162.78	\$ 45.57	1.46%

Variable Rates Effective January 1, 2021

RMWD + SDCW	Current	January 2021	(\$)	(%)
Single Family Residential				
Tier 1	\$ 3.73	\$ 3.89	\$ 0.16	4.29%
Tier 2	\$ 3.99	\$ 4.15	\$ 0.16	4.01%
Tier 3	\$ 4.48	\$ 4.64	\$ 0.16	3.57%
Multi-Family Residential	\$ 3.87	\$ 4.03	\$ 0.16	4.13%
Commercial	\$ 4.03	\$ 4.19	\$ 0.16	3.97%
Institutional	\$ 4.14	\$ 4.30	\$ 0.16	3.86%
Construction	\$ 5.20	\$ 5.36	\$ 0.16	3.08%
Agriculture w/Residence				
Tier 1	\$ 3.73	\$ 3.89	\$ 0.16	4.29%
Tier 2	\$ 3.99	\$ 4.15	\$ 0.16	4.01%
Tier 3	\$ 3.63	\$ 3.79	\$ 0.16	4.41%
Agriculture w/o Residence	\$ 3.63	\$ 3.79	\$ 0.16	4.41%
TSAWR/PSAWR - Domestic				
Tier 1	\$ 3.94	\$ 4.14	\$ 0.20	5.08%
Tier 2	\$ 4.21	\$ 4.41	\$ 0.20	4.75%
Tier 3	\$ 3.15	\$ 3.35	\$ 0.20	6.35%
TSAWR/PSAWR Commercial	\$ 3.15	\$ 3.35	\$ 0.20	6.35%

If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact Rainbow Municipal Water District at 760-728-1178 or visit <https://www.rainbowmwd.com/water-rates>.