



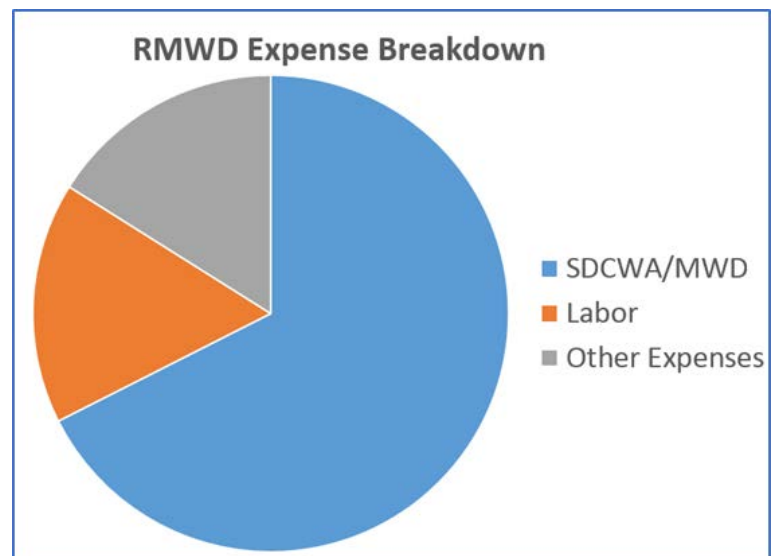
WHY ARE MY WATER RATES GOING UP – AGAIN?

In our August newsletter, we described some of the factors that cause RMWD's rates to be different than other areas. We got some excellent feedback from those who read the newsletter and we appreciate all your comments. As the new year approaches, so do increases in water costs, so the RMWD Board along with the Budget and Finance Committee are now working on our new rates for 2018 and beyond. We wish we could tell you rates are going down, but alas they are not. This month we will focus a bit on why our rates always seem to be going up.

Where Your Money Goes?

For every dollar RMWD collects on your water bill, the vast majority of that money gets passed along to the San Diego County Water Authority (SDCWA). In turn, SDCWA sends a portion of that money to the Metropolitan Water District of Southern California (MWD). Combined, SDCWA and MWD comprise just under 70% of the total operating expenses of the District. From that dollar, only about thirty cents stays here at RMWD.

Of that thirty cents, about 16 cents goes to the labor required to perform all operational aspects of the water District. The cost of every person you see working for RMWD (fixing meters, repairing water mains, performing water quality sampling, or any other of the hundreds of tasks we do every day) comes out of that 16 cents. This is surprising to many people because our personnel are who our customers see the most.



The rest of that quarter, the other 15 cents, covers our supplies, power, and outside services. The District outsources many tasks, from landscaping and janitorial services, to water bill printing/ mailing. We have long term maintenance contracts for specialized water tank maintenance and pump control systems. We need power for pumping and we buy lots of pipeline construction materials, meters, and the like.

Why Not Just Cut Staff?

This is one of the most frequent responses we hear from customers. They understand there is not much we can do about imported water costs, so why not cut the staff to lower water rates. As the chart above indicates, labor accounts for only about 16% of our total expenses. The biggest component – by far – is the imported water costs.



For the sake of argument, let's imagine what would happen if we cut half of the people here at RMWD. We certainly would see about 8% drop in our expenses, but we would see some other big changes as well. Faced with this sort of cut, you could expect many negative and self-defeating things to occur. We have an aging infrastructure that requires continuous maintenance to keep running. If half the staff were gone, you would see frequent water outages when pump maintenance falls behind.

Perhaps worse, since we operate over 70 pressure control stations in our District, the lack of maintenance would lead to a massive spike in system over pressurization. This will cause leaks in our mains and at your homes and with fewer staff, those leaks would run much longer, damaging roads and property. It is likely that within a few years any savings from staff cuts would be eaten up by water loss and property damages.

Further, consider that we see rate increases from SDCWA of about 6% a year. Since that cost makes up about 70% of the total cost, a 6% increase equates to about a 4.2% increase overall. So, if we were to cut 8% (and suffer the issues described above) the next few rounds of SDCWA rate increases would wipe out that savings.

So, What Are We Going To Do About It?

As mentioned in our August newsletter, we are doing several things:

- ✚ We proactively manage employee productivity so that we can handle the upcoming growth in the District without adding staff. Our pledge is to spend every portion of that dime that goes to labor as effectively as possible.
- ✚ We are working on developing local water supplies to reduce our dependence on imported water whose costs we can't control.
- ✚ We are finishing work on a comprehensive Condition Assessment Program to actively monitor pipeline conditions and ensure that pipelines are replaced in the most cost-effective manner.
- ✚ We are working on a new rate structure that, like our current structure, will be in full compliance with Cost of Service principles and fairly and equitably parse out the cost of water to those who use it.

Next Steps

From November through January we will be completing the process of defining the new water rates and holding public meetings and hearings on those rates. This is a standing item at our Budget and Finance Committee meetings and we will also be holding public hearings at our Board of Directors meetings. Your attendance and input at these meetings is welcomed and encouraged. We will be sending notices on the rate increases by special mailers as required by law, so keep an eye out for these. We will also be posting notices on our website so you can keep up to date by visiting www.rainbowmwd.com at your convenience.

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