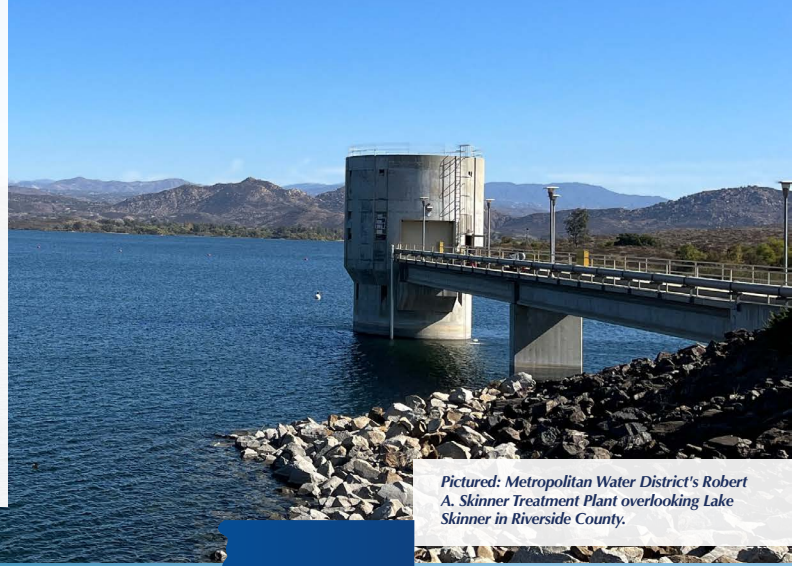




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Pictured: Metropolitan Water District's Robert A. Skinner Treatment Plant overlooking Lake Skinner in Riverside County.

Planning for the Future Rate Increases and Detachment

Rainbow Water is proud to deliver water and wastewater services to the community. Situated between scenic rolling hills, the community is home to a longstanding tradition of rural lifestyle and robust agriculture production. The area's unique topography and zoning allow residents to enjoy relief from the overcrowding of city life. However, the less densely populated area results in fewer customers than the more populous urban areas to share the cost of maintaining critical water and wastewater infrastructure that supports our community.

Delivering safe and reliable water while maintaining fiscal responsibility is an essential part of Rainbow Water's commitment to service. Periodic rate adjustments are necessary to meet the demands of maintaining and improving infrastructure to ensure water reliability for ratepayers. The Board of Directors will take final action on the 2025 fiscal year budget and proposed rate increases at the June 25 regular Board meeting.

Previously Approved Rate Increase Cut in Half

In 2023, the Board approved rate increases of up to 9% annually based on a cost-of-service study. However,

partial-year savings from detachment and over \$900,000 of staff-initiated budget cuts allow a reduced rate increase of 4.5% on July 1, 2024, instead of 9%. The proposed increase is planned to cover operating needs for an 18-month time frame until January 1, 2026, and is lower than the 5.7% inflation consumer price index rate for San Diego County for the past 18 months.

Why Is the Cost of Water Increasing?

The primary drivers of the increase are factors outside of Rainbow's control, with energy costs alone accounting for 40% of the proposed increase. Energy costs weigh heavily on the budget and have risen by 30% in the past two years, with another 10% San Diego Gas & Electric rate hike planned for January 2025. In addition, increased environmental regulations continue to make projects challenging to permit and more costly to construct.

These rising costs, in combination with a long-term decline in water sales (from 33,000 acre-feet in 2007 to a projected 10,000 acre-feet in 2025), have a direct impact on Rainbow Water's rates. Back-to-back years of wet weather have



Detachment from the San Diego Water Authority (SDCWA) is on track to finalize by January 2025 and will avoid the impacts from a proposed SDCWA 19% rate increase on January 1, 2025, and overall projected 39% rate increase over the next three years.

further impacted recent sales, which are 20% lower than initially projected for 2024. Despite declining sales, the fixed costs and debts for capital improvement projects and infrastructure must be paid to ensure public safety and reliability of water service.

➔ **Planning for the Future** - cont'd on page 2

Your Local Water Provider

As a small government agency, Rainbow Water's rates are set at the cost of service as required by law, and there are no profits. Rainbow Water is committed to continuously improving water infrastructure to meet the needs of our ratepayers, prepare for water emergencies, and ensure water is available where needed for today and the future.

Planning for the Future

Mitigating Customer Costs with Detachment

Rainbow Water's change in water wholesaler through detachment from the San Diego Water Authority (SDCWA) is on track to finalize on or before January 2025. The goal of detachment has always been long-term mitigation of the impact of future wholesale water rate increases. While many were hopeful it would result in short-term rate decreases, that will not be possible due to multiple years of deferred increases while the detachment was pursued, combined with several years of high inflation, record-low sales, and short-term detachment-related expenses. A \$15.8 million exit fee is due to SDCWA, with the first payment of \$3.2 million to be paid in late 2024 and is accounted for in the fiscal year 2025 budget. In addition, as part of the detachment process, \$15 million in capital improvement projects are underway, with completion planned for the end of 2024.

Despite the upfront costs, detachment will still have an immediate benefit to customers by avoiding the impacts of a proposed 19% SDCWA rate increase on January 1, 2025, and a projected 39% rate increase over the next three years. Alternatively, a projected 3.6% Metropolitan Water District wholesale increase will be passed on to Rainbow Water customers on January 1, 2025, which is less than half of the projected 10% pass-through under SDCWA's wholesale rates. Post-detachment, Rainbow Water will use the long-term savings to fund critical infrastructure projects with lower rate increases less affected by declining water sales.

Commitment to Maintain Financial Stability

Rainbow Water used cash reserves to absorb wholesale rate increase from our water supplier and to defer rate increases as long as possible despite rising costs while pursuing detachment. As a result of deferring, the District cash reserves have dipped below minimum targets. Replenishment of reserves is vital to ensure financial stability, continuity of operations, and access to low-cost debt financing to fund capital projects. The funding for capital projects for future years is necessary to ensure the safety and reliability of the essential services provided by Rainbow Water. The current financial plan estimates average post-detachment increases of approximately 4% annually through 2029, plus the wholesale pass-through increases. The proposed current modest rate increase will allow Rainbow Water to maintain financial stability and prepare for the full realization of savings from detachment.

2023 Water Quality Report

Rainbow Water is committed to providing all customers with a safe and reliable water supply. Water is regularly monitored and tested throughout our service area to ensure the water served to your homes and businesses meets or exceeds all state and federal guidelines for safe drinking water, and this past year was no exception. The Environmental Protection Agency and State Water Resources Control Board Division of Drinking Water requires all water agencies to provide an annual Water Quality Report to inform all customers of their drinking water supply. Rainbow Water's 2023 report is on the website in English and Spanish, and print copies are available at the Rainbow Water office. View the report online: rainbowmwd.ca.gov/ccr



Garden Like a Pro

Steps to Save Water and Create a Healthy, Sustainable Garden

- Care:** New plants require extra water during their 12 month establishment period. Water often for the first few weeks, water regularly in the first summer and then taper off.
- Hydrozone Your Plants:** Place plants with similar needs for water and sun on the same irrigation valve.
- Drip Irrigation:** Consider replacing your sprinkler system with drip irrigation in areas with shrubs or rows. The drip system will reduce runoff and allow for direct water where needed.
- Mulch:** Layer three inches of mulch over all planting beds, surrounding every plant without touching the stems or trunks. Mulch retains soil moisture while it feeds the soil.
- Lawn:** Aerate grass periodically and adjust the sprinkler heads to minimize runoff and overspray. Set the lawnmower higher, as tall lawns use less water than short lawns.



70% of California's entire residential water supply is applied to home landscapes, yet many landscapes are over watered due to sprinkler controllers that are not programmed properly.

Remember to check irrigation systems for repairs and reprogram sprinkler controllers to adapt for the summer season. Design your landscape to capture and hold rainwater runoff using downspouts, rain barrels, and dry stream beds. Explore rebates for irrigation controllers, nozzles, rain barrels and more at SoCalWaterSmart.com



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