

LAKESIDE WATER DISTRICT

BOARD REPORT

TO: Board of Directors

FROM: Brett Sanders, General Manager

DATE: October 2, 2024

SUBJECT: Adoption of Resolution of 2025-12 Amending Section 2.13-2(B) of the Administrative Code, Water Rates and Charges and Finding Such Action Exempt from the Environmental Quality Act.

Recommendation:

Approve Resolution 2025-12 Amending Rates and Charges to pass through rate increases approved by the San Diego County Water Authority effective January 1, 2026, and to find that such increase is exempt of provisions of the California Environmental Quality Act.

Alternative:

Do not amend the Administrative Code to approve the pass-through wholesale water rate increase.

Background:

In January 2024 the District passed Resolution 24-01 to provide for automatic adjustments that pass through wholesale water charges. This resolution provides authority to the Board of Directors to adopt a schedule of fees or charges authorizing automatic adjustments that pass through the adopted increases or decreases in the wholesale charges for water pursuant to California Government Code 53756. The resolution also resolves that changes in the rates and charges as established are exempt from the provisions of the California Environmental Quality Act by virtue of the Public Resources Code Section 21080 (b)(8) and Section 15273 of the CEQA Guidelines.

Fiscal Impact:

Significant impact, if the Board does not pass through wholesale water rate increases, other financial mechanisms or strategies are needed to make up for the increase in water cost. Such mechanisms or strategies may be a decrease in services or capital improvements or accessing monetary reserves to make up the shortfall estimated at \$826,744 (\$313,380 Fixed Charge Increase + \$513,363 Variable Charge Increase).

Discussion:

The San Diego County Water Authority annually sets their rates and charges to cover increases in their water supply, which comes from three major sources and its cost to provide services. The primary source of water is the Metropolitan Water District of Southern of California (which is the primary wholesale water agency in Southern California), followed by the Imperial Irrigation District Water Transfer Agreement and the Bud Lewis Carlsbad Desalination Plant.

The Water Authority Board of Directors at their June 26, 2025 meeting approved to increase their cost overall by 8.3%, but specifically to the District an increase of 7.6% (\$1,996/AF to \$2,148/AF). The difference in the percentage of increase is the cost of transportation and specific treatment and delivery costs to the District and final purchase quantities experienced last fiscal year (our true up).

The District has implemented a split rate charge recovery method to cover the WA rate increases on an annual basis within specific CWA Rate Charges. The District now passes along Variable Water Rate Increases (water commodity charge) in a CWA (Pass-through) rate category and passes along Fixed Charge increases in a CWA Fixed Rate (Pass-through).

Summary:

Our per unit rate increase projection takes into account all water sold by the District, including groundwater, which has a lower cost than wholesale water and helps keep our increases to the absolute minimum. This year our projected and budgeted per unit increase is 5.3%, increasing our overall per unit cost \$0.34.

Since 2001 the District has only increased rates to cover pass through wholesale increases. Our last meter service charge increase was this year 2025, followed by 2024, and 2022. Below is the calculations to support our Pass-Through Rate Increases.

SDCWA Fixed Charges / Variable Rates						
keep column D as year zero, cumulative change is the pass-through on bills						
Source:		Prior Pass-through Model https://www.sdcwa.org/member-agencies/rate-allocation/				
SDCWA Monthly Fixed Costs		CY 2024	CY 2025	CY 2026	Incremental Monthly Change	Billing Period Change
						Bi-Monthly
MWD Readiness-to-Serve Charge	FY	\$201	\$858	\$585	(\$273)	(\$546)
MWD Capacity Charge	CY	\$10,558	\$14,169	\$16,151	\$1,982	\$3,964
Supply Reliability Charge	CY	\$28,669	\$33,389	\$36,504	\$3,115	\$6,230
Customer Service Charge	CY	\$18,549	\$19,556	\$22,635	\$3,079	\$6,158
Emergency Storage Charge	CY	\$43,683	\$44,596	\$52,541	\$7,945	\$15,890
Transportation Charge	CY	\$0	\$19,556	\$29,823	\$10,267	\$20,534
Infrastructure Access Charge	CY	\$36,458	\$37,420	\$37,465	\$45	\$90
Total Fixed Costs		\$138,118	\$169,544	\$195,704	\$26,160	\$52,320

SDCWA Fixed Pass-Through Analysis				
Allocate change in fixed costs according to meter equivalents				
Fixed Cost Allocation				
Bi-Monthly Fixed Costs			\$52,230	
÷ SDCWA ME's			8,271	
Fixed Unit rate			\$6.32	
Allocate to meter size:				
Meter Size	Meters	SDCWA Capacity Ratio	SDCWA ME's	Incremental Other Fixed Pass-through
5/8"	4,446	1.00	4,446	\$6.32
3/4"	1,631	1.00	1,631	\$6.32
1"	625	1.61	1,005	\$10.17
1 1/2"	101	3.02	305	\$19.12
2"	140	5.24	734	\$33.12
3"	1	9.67	10	\$61.14
4"	3	16.52	50	\$104.42
6"	3	30.22	91	\$190.99
	6,950		8,271	
			Projected Revenue:	\$52,278
			Difference due to rounding:	\$48

Variable Purchased Water Costs		CY 2024	CY 2025	CY 2026	\$/AF Change
SDCWA M&I Melded Untreated Rate	AF	\$1,200	\$1,355	\$1,490	\$135
SDCWA Treatment Cost	AF	\$400	\$500	\$530	\$30
Transporation Charge	AF	\$189	\$141	\$128	(\$13)

Variable Pass-Through Analysis			
Notes:			
Make sure to update conversion factors and water loss, as needed			
Variable Pass-Through Calculation			
SDCWA Fixed Costs	\$/Bi-Month	Pass-Through? <i>Include/Exclude</i>	Annual Pass-Through
MWD Readiness-to-Serve Charge	-\$546	<i>Exclude</i>	\$0
MWD Capacity Charge	\$3,964	<i>Exclude</i>	\$0
Supply Reliability Charge	\$6,230	<i>Exclude</i>	\$0
Customer Service Charge	\$6,158	<i>Exclude</i>	\$0
Emergency Storage Charge	\$15,890	<i>Exclude</i>	\$0
Infrastructure Access Charge	\$90	<i>Exclude</i>	\$0
Transportation Charge	\$20,534	<i>Exclude</i>	\$0
Total Annual Fixed Cost			\$0
÷ Projected Usage (HCF)			1,509,893
Fixed Cost Increase (decrease) per HCF			\$0.00
Variable Δ Purchased Water	\$/AF	Pass-Through? <i>Include/Exclude</i>	Incremental Variable Pass-through
SDCWA M&I Melded Untreated Rate	\$135.00	<i>Include</i>	\$135
SDCWA Treatment Cost	\$30.00	<i>Include</i>	\$30
Transporation Charge	(\$13.00)	<i>Include</i>	(\$13)
Δ in \$/AF			\$152
÷ Conversion AF to HCF			435.60
Increase (decrease) per HCF			\$0.35
Variable Pass-through			
Projected Usage (HCF)	<i>Production</i>	<i>Net of Water Loss</i>	1,509,893
Water loss (%)	4.20%		4.20%
Water Demand (HCF)			1,576,089
Less: Groundwater (HCF)	360 AF	345 AF	150,230
Total SDCWA Purchases (HCF)			1,425,859
Annual Δ Purchased Water Cost			\$499,051
÷ Projected Usage (HCF)			1,509,893
Blended Increase (decrease) per HCF			\$0.34
Variable Pass-through Summary			
Customer Class/Tier	Projected Usage (HCF)	Fixed Cost Pass-Through	Variable Cost Pass-Through
Life Line Rate	392,572	\$0.00	\$0.34
Standard Rate	1,117,321	\$0.00	\$0.34
Total Projected Usage (HCF)	1,509,893		

RESOLUTION NO. 2025-12

RESOLUTION OF THE BOARD OF DIRECTORS OF THE LAKESIDE WATER DISTRICT AMENDING SECTION 2.13-2(B) OF THE ADMINISTRATIVE CODE, WATER RATES AND CHARGES, AND FINDING SUCH ACTION EXEMPT FROM THE ENVIRONMENTAL QUALITY ACT

WHEREAS, modification of the Administrative Code Section 2.13-2(B), Water Rates and Charges is necessary to provide sufficient funds to meet all capital, debt service, operational and reserve needs; and

WHEREAS, per District Resolution 24-01, the Board has determined that wholesale water rate increases shall be automatically passed through as allowed by California Government Code 53756; and

WHEREAS, the amount of revenue collected from the increased water rates and charges established by the Resolution are not reasonably anticipated to generate any revenues in excess of the cost of providing water service and are necessary to meet operation and maintenance expenses, financial reserve needs, and are required to fund capital projects within the existing service area;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Lakeside Water District, as follows:

1. That Section 2.13-2 (B),(1) (2) District Water Billings including the CWA Infrastructure Access Charge the Variable Commodity Charges and the Fixed Bi-Monthly Charges of the Lakeside Water District Administrative Code is amended as shown as Exhibit "A" attached hereto and made a part hereof.
2. That adoption of this Resolution is exempt from the provisions of the California Environmental Quality Act by virtue of Public Resources Code Section 21080 (b)(8) and Section 15273 of the CEQA Guidelines.

PASSED AND ADOPTED, this 7th day of October, 2025

AYES:

NOES:

ABSENT:

ABSTAIN:

Brett Sanders, Board Secretary
Lakeside Water District

Eileen Neumeister, President
Board of Director's

Pass-Through Increase for 2026

Current LWD Rates

Lifeline 0-12 units \$5.55
 Standard 13+ units \$5.64

SD County Water Authority Water Rate Pass-Through for 2026 (Variable Charge/Water Sales at \$0.34 per unit)

CY 2026 Variable Rates (\$/hcf)				
Customer Class/Tier	CY 2024	CY 2025	CY 2026	CY 2026 Variable Rate
	<i>LWD Base (w/o CWA)</i>	<i>Pass-through</i>	<i>Pass-Through</i>	<i>Base + Cumulative PT</i>
Life Line Rate	\$5.55	\$0.46	\$0.34	\$6.35
Standard Rate	\$5.64	\$0.46	\$0.34	\$6.44

SDCWA Fixed Charges Pass-Through for 2026

CY 2026 CWA Fixed Bi-Monthly Charge					
Meter Size		CY 2024	CY 2025	CY 2026	CY 2026 CWA Fixed
	<i>Meters</i>	<i>SDCWA Fixed</i>	<i>Pass-through</i>	<i>Pass-through</i>	<i>Cumulative</i>
5/8"	4,446	\$0.00	\$7.35	\$6.32	\$13.67
3/4"	1,631	\$0.00	\$7.35	\$6.32	\$13.67
1"	625	\$0.00	\$11.83	\$10.17	\$22.00
1 1/2"	101	\$0.00	\$22.23	\$19.12	\$41.35
2"	140	\$0.00	\$38.52	\$33.12	\$71.64
3"	1	\$0.00	\$71.12	\$61.14	\$132.26
4"	3	\$0.00	\$121.46	\$104.42	\$225.88
6"	3	\$0.00	\$222.16	\$190.99	\$413.15

Infrastructure Access Charge (IAC)

No Increase

<u>Meter Size</u>	<u>2026 Rates - Effective 01/01/2026</u>
5/8" & 3/4"	\$9.10
1"	\$14.64
1-1/2"	\$27.52
2"	\$47.68
3"	\$88.03
4"	\$150.34
6"	\$275.00