

SAN DIEGO LAFCO



**COMMISSION MEETING
OCTOBER 6, 2025**

SAN DIEGO LAFCO

Agenda Item No. 7c
Update on CWA-MWD MSR



10/6/2025



Today's Focus

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- Last Check-In before Staff firms-up a Draft Report (Early 2026)
- Commission's Opportunity to Provide Feedback on **Scope & Framing**



Where the Analysis is Heading...

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- CWA has made remarkable progress
- Impressively diverse water supply portfolio at a steep financial cost
- Cost structure + water demand patterns = Challenges
- Real-Time stress-test: Underway for the CWA + 22 member agencies

Key Themes



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- 1 Transformation Period
- 2 Structural Problem
- 3 Challenge Ahead
- 4 Emerging LAFCO Themes



Transformation Period (2008-2023)

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Major Capital Investments in response to 1991 Drought:

1. Quantification Settlement Agreement securing Colorado River water through IID transfers and canal lining
2. Carlsbad Desalination Plant partnership with Poseidon
3. \$1.5 billion in emergency storage infrastructure

Dependency on MET ↓ 88% (2008) → 19% (2023)

As a result... CWA has tripled its water rates

- All-in untreated rate: \$520 to \$1,579 per acre-foot
- Treated rate: \$684 to \$1,929 per acre-foot



Structural Problem

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Core Financial Vulnerability:

- **Fixed Costs:** Approximately 90 cents of every \$1.00
- **Variable Revenues:** Approximately 30 cents of every \$1.00
- Take-or-pay contracts = Continuing to pay for water it doesn't need



Tipping Point

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CWA Board taking an aggressive approach to course-correcting:

1. Negotiated sale of 50k acre-feet of QSA water to U.S. Department of Interior, **saving \$15-20 million**

2. Cut \$10 million from capital budget (deferring critical infrastructure projects)

3. Settled 15 years of litigation with MWD, **fundamentally changing financial flexibility** by enabling QSA water sales to other agencies

4. And most significantly to ratepayers, approved an up-to 14% rate increase for 2025, with 16.4% for 2026 and 5.6% projected for 2027 — **a cumulative 40% over the next three years**

Challenge Ahead



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Demand forecast: further $\frac{1}{3}$ reduction due to...

- Upcoming potable reuse projects:
 - City of San Diego Pure Water Phase 1 (2027): 38,110 acre-feet/year
 - City of San Diego Pure Water Phase 2 (2035): 59,407 acre-feet/year
 - East County Advanced Water Purification (2026): 12,890 acre-feet/year
 - Oceanside expansion (ongoing): 1,680 acre-feet/year



Emerging Themes

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Legislature's ask of LAFCO:

Address community needs – present and future - and offer up potential remedies in the form of recommendations.

1 Governance and Accountability

- Voting Power vs. Cost Burden (Divergence...)
- How should LAFCO address this in terms of meeting community needs – present and future?

2 Potable Reuse Coordination

- Local Water Development vs. Wholesale Water Procurement
- May need to better sync the two....



Emerging Themes

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Legislature's ask of LAFCO:

Address community needs – present and future - and offer up potential remedies in the form of recommendations.

3 Defining Service Adequacy

- Secure supply vs. financial sustainability
- How does LAFCO define “service adequacy?”

4 Encouraging Sign

- Positive Leadership + Executive Management Changes
- Restoring organizational focus: punctuated by the long-awaited settlement with MWD



Next Steps

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- October 2025: Admin draft to agencies (60-day review)
- Stakeholder outreach & advisory committees
 - Commission's Cities and Special Districts Advisory Committees
 - CWA + MWD MSR Working Group
- Spring 2026: Draft MSR to Commission

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Comments/Questions?



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