



# NOTICE OF PUBLIC HEARING

In Connection with Proposed

## INCREASES TO RATES, FEES, AND CHARGES FOR RESIDENTIAL AND MULTI-RESIDENTIAL SEWER SERVICE

**NOTICE IS HEREBY GIVEN** that the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013, at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider: (1) the adoption of rate, fee, and charge increases that apply to sewer service billed beginning January 1, 2014; (2) the authorization for a period of five years of all future pass-through increases or decreases to cover changes to rates, fees, or charges from the District's sewer service providers; and, (3) the authorization for a period of five years of overall average rate increases, in addition to the pass through increases, not to exceed 10 percent per year for all costs other than pass-through costs. These rates, fees, and charges apply to property for which you are shown as the record owner or customer of record. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on properties served by the District. The amount of the proposed rate, fee, and charge increases and the basis upon which they were determined is described in more detail as follows.

### PROPOSED RATE INCREASE AND ACTIONS

An overall average sewer rate increase of 7.9 percent will be considered by the Board of Directors at the public hearing noticed above. If adopted, **for a typical single-family residential sewer customer<sup>(1)</sup>, your bill will increase by \$6.20 per month.** The rate increase is proposed to take effect with sewer service **billed** on or after January 1, 2014, and may apply to sewer service **used** as early as the beginning of December 2013.

The District has performed a Cost of Service Study and Rate Study (i.e. reviewed rates, fees, charges, costs, and the usage structure) and determined that increases in rates, fees, and charges are necessary in order to recover sufficient revenues to operate and maintain the public sewer system. The sewer customer rate increase was considered by the District's Board of Directors as part of the annual budget review process. The Board directed staff to propose a phasing-in of the increase in the Monthly System Fee for single-family residential customers over a three-year period.

The District will also consider authorizing, for a period of five years, passing through to customers the increased or decreased costs imposed by the District's sewer service providers. If adopted, the customer's sewer rates, fees, and charges will be adjusted annually for all increased or decreased costs and charges from the District's sewer service providers. The pass-through costs apply to rates, fees, and charges from the District's treatment and disposal providers. The providers include but are not limited to the County of San Diego and the City of San Diego. Any changes to rates, fees, and charges subsequently imposed by the District will be subject to a 30-day prior written notice, but will not be subject to additional hearings or protests.

In addition to the pass-through costs, the District will consider authorizing, for a period of five years, overall average rate increases not to exceed 10 percent per year for all costs related to labor, benefits, materials, energy, maintenance, administrative expenses, as well as other operational costs of providing sewer service, including amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

These proposed actions, if adopted, would implement the Cost of Service Study recommended findings over a three-year period, pass through to customers increased or decreased costs from sewer service providers, and allow the District to recover the full cost of delivering sewer service. The proposed rate, fee, and charge structure will provide revenue that recovers all costs reasonably borne in providing sewer service; are equitable to all customer classes; and are proportionate to the cost of providing the service to each customer class.

### WHY ARE YOU RECEIVING THIS NOTICE?

As the record owner or customer of record of a property identified to be subject to the imposition of proposed rate, fees, or charge increases, you may submit a written protest against the proposed actions. Provided, however, if the identified property has more than one record owner or customer of record, only one written protest will be counted. Each protest must be in writing; state the specific rate increase for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the Board Secretary, Otay Water District, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing. **Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Proposed Increases to Rates, Fees, and Charges for Residential and Multi-Residential Sewer Service.**

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed actions as described above. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate, fee, and charges increases are not presented by a majority of the record owners or customers of record of the identified properties upon which they are to be imposed, the Board of Directors will be authorized to adopt the proposed actions. If adopted, the rates, fees, and charges will apply to sewer service billed on or after January 1, 2014 and may apply to sewer service used as early as the beginning of December 2013. **This letter serves as a 45-day notice of the hearing on the proposed rate increases, and as notice of the increases for sewer service billed on or after January 1, 2014, if adopted.**

This notice is being provided to you by the District pursuant to the California Constitution Article XIID (collectively known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to property-related fees such as sewer service. This letter serves as notice that the District will hold a public hearing to consider changes to its current sewer service rates, fees, and charges.

### WHY ARE SEWER RATE CHANGES NECESSARY?

The District is a revenue-neutral public agency that provides sewer service to your community. "Revenue-neutral" means that sewer bills reflect only those rates, fees, and charges sufficient to support sewer service. To continue to provide reliable service, the District must implement and pass through to its customers the full and actual cost of providing sewer service, including higher costs imposed by service providers.

The actions proposed will help protect the public's investment in the public sewer system, reduce the possibility of pipeline breaks, blockages or spills, and keep rates affordable. As a non-profit public agency, the District does not make a profit from providing sewer service, and it cannot operate at a loss.

### WHAT DO SEWER RATES FUND?

Each end user pays his or her fair share of the cost of sewage treatment and disposal, energy or pumping costs, labor and benefits, materials, chemicals used in sewage treatment, administrative expenses, operations, construction, and maintenance of the public sewer system and facilities. This also includes amounts required to

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meet bond covenants and to maintain adequate reserves and rate stability. The District always works to keep its expenses to a minimum and, as a result, has rates for sewer service that are among the lowest in San Diego County.

**WHAT CAN I DO TO SAVE MONEY ON MY SEWER BILL?**

To estimate sewer use, the District averages metered water use. A **Winter Average**<sup>(2)</sup> is the basis of your sewer charges for the entire year. The winter months are the best time to average water use because less water is used outdoors and most of the water used flows to the sewer system. By conserving water in winter, you save money on your water bill, and you may also reduce your Winter Average, and that can help save money on your sewer bill all year long. Customers interested in learning ways in which they can reduce their water usage and in turn minimize the effects of the rising sewer disposal and treatment costs on their family's budget, can visit the District's Conservation page at [www.otaywater.gov](http://www.otaywater.gov).

**OTHER PROPOSED CHANGES**

The following changes are proposed to be made to residential and multi-residential sewer account's rate calculations:

**Residential**

- Ensure water meter equivalencies used for sewer system fees are consistent with American Water Works Association (AWWA) water meter equivalencies.
- Make the Monthly System Fee for Single-Family Residential the same for both .75" and 1" meters.

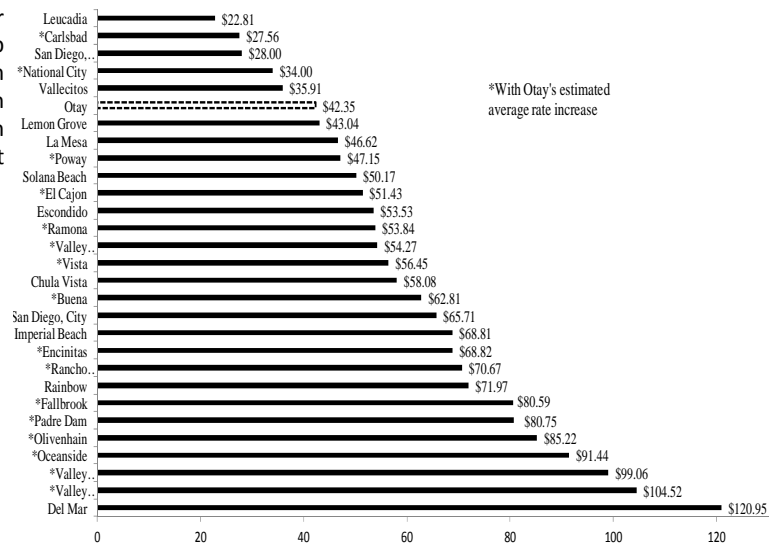
**Multi-Residential**

- Ensure water meter equivalencies used for sewer Monthly System Fees are consistent with AWWA water meter equivalencies.
- Calculate the Monthly System Fee based on meter size rather than the number of dwelling units.

For information about the Otay Water District, please visit [www.otaywater.gov](http://www.otaywater.gov) or contact us via email at [info@otaywater.gov](mailto:info@otaywater.gov).

**Sewer Rate Comparison in San Diego County**

14 Unit Water Use and 3/4" Residential Meter-Projected sewer bill effective January 2014



**PROPOSED RESIDENTIAL USAGE AND MONTHLY SYSTEM FEE CALCULATION**

The monthly sewer charge for a typical single-family residential customer<sup>(1)</sup> with either at .75" or 1" water meter and a Winter Average<sup>(2)</sup> of 14 hundred cubic feet (HCF or 10,472 gallons) will be calculated as follows:

**USAGE FEE x WINTER AVERAGE<sup>(2)</sup> + MONTHLY SYSTEM FEE**

For a single family residential sewer customer, your bill will increase by \$6.20 per month. The Monthly System Fee for single family residential customers with a 1" meter is decreasing based on the Cost of Service Study's findings.

USAGE FEE	
CURRENT	PROPOSED 2014
\$1.92	\$2.35

MONTHLY SYSTEM FEE		
	CURRENT <sup>(3)</sup>	PROPOSED 2014 <sup>(5)</sup>
.75"	\$13.30	\$14.38
1"	\$19.40	\$14.38

**PROJECTED RESIDENTIAL USAGE AND MONTHLY SYSTEM FEE, AND RECAPTURE PROVISIONS**

The increases to rates, fees, and charges for residential sewer service were considered by the District's Board of Directors as part of the annual budget review process. The Board directed staff to propose a phasing-of the Monthly System Fee increase over a three year period. The three-year phase-in of the Monthly System Fee is reflected in the tables to the right along with the proposed Monthly System Fee increases based on a 7.9 percent inflator. Recapture of the full Cost of Service Study recommended Monthly System Fee occurs in 2016.

If adopted, the 2014 Monthly System Fee is in accordance with the proposed phase-in of the Cost of Service findings. The 2015 Monthly System Fee equals the Cost of Service Study's findings, plus projected rate increases through the rate setting process. The 2016 Monthly System Fee equals the Cost of Service Study's findings, plus projected rate increases through the rate setting process, and recapturing the 2014 Monthly System Fee shortfall of \$1.30 per month, in 2016.

2014 PROPOSED AND 2015-2018 PROJECTED FEES						
	CURRENT	PROPOSED 2014	PROJECTED 2015	PROJECTED 2016	PROJECTED 2017	PROJECTED 2018
Usage Fee	\$1.92	\$2.35	\$2.54	\$2.74	\$2.96	\$3.19

MONTHLY SYSTEM FEE AND 2015-2018 PROJECTED FEES <sup>(4)</sup>						
System Fee	CURRENT <sup>(3)</sup>	PROPOSED 2014	PROJECTED 2015	PROJECTED 2016	PROJECTED 2017	PROJECTED 2018
.75"	\$13.30	\$14.38 <sup>(5)</sup>	\$16.92 <sup>(6)</sup>	\$19.56 <sup>(7)</sup>	\$19.70 <sup>(8)</sup>	\$21.26 <sup>(9)</sup>
1"	\$19.40	\$14.38 <sup>(5)</sup>	\$16.92 <sup>(6)</sup>	\$19.56 <sup>(7)</sup>	\$19.70 <sup>(8)</sup>	\$21.26 <sup>(9)</sup>

RECAPTURE PROVISIONS		PROPOSED 2014
Cost of Service Study Monthly System Fee		\$15.68
District Approved Monthly System Fee		\$14.38 <sup>(5)</sup>
Amount of Recapture in 2016		\$1.30

## PROPOSED MULTI-RESIDENTIAL SEWER RATES, FEES AND CHARGES

The proposed sewer bill for multi-residential customers will be based on the meter size rather than the number of dwelling

units, as shown below. The following is a comparison of the current and proposed sewer bill calculation:

### CURRENT SEWER BILL CALCULATION

$$((\text{Winter Average}^{(2)} \times .85^{(1)}) \times \text{Usage Fee}) + (\text{System Fee} \times \text{Dwelling Units})$$

### PROPOSED SEWER BILL CALCULATION

$$((\text{Winter Average}^{(2)} \times .85^{(1)}) \times \text{Usage Fee}) + \text{System Fee}^{(3)}$$

The following tables show the proposed rate increases in the Usage Fees and Monthly System Fees for multi-residential sewer customers effective January 1, 2014. Tables also show the projected 2015 through 2018 rate increases based on the

projected 7.9 percent inflator. Projections are for informational purposes only. These fees include the impact of projected pass-through increases. Actual Usage and Monthly System Fees in each of the projected years may differ.

### RESIDENTIAL AND MULTI-RESIDENTIAL USAGE FEES - 2014 PROPOSED AND 2015 - 2018 PROJECTED

CURRENT	PROPOSED 2014	PROJECTED 2015	PROJECTED 2016	PROJECTED 2017	PROJECTED 2018
\$1.92	\$2.35	\$2.54	\$2.74	\$2.96	\$3.19

### 2014 PROPOSED AND 2015-2018 PROJECTED<sup>(4)</sup> MONTHLY SYSTEM FEE

METER SIZE	CURRENT	PROPOSED 2014 <sup>(3)</sup>	PROJECTED 2015 <sup>(3)(4)</sup>	PROJECTED 2016 <sup>(3)(4)</sup>	PROJECTED 2017 <sup>(3)(4)</sup>	PROJECTED 2018 <sup>(3)(4)</sup>
.75"	\$13.30	\$25.83	\$27.87	\$30.07	\$32.45	\$35.01
1"	\$13.30	\$38.03	\$41.03	\$44.27	\$47.77	\$51.54
1.5"	\$13.30	\$68.53	\$73.94	\$79.78	\$86.08	\$92.88
2"	\$13.30	\$105.12	\$113.42	\$122.38	\$132.05	\$142.48
3"	\$13.30	\$190.52	\$205.57	\$221.81	\$239.33	\$258.24
4"	\$13.30	\$312.51	\$337.20	\$363.84	\$392.58	\$423.59
6"	\$13.30	\$617.48	\$666.26	\$718.89	\$775.68	\$836.96
8"	\$13.30	\$983.46	\$1,061.15	\$1,144.98	\$1,235.43	\$1,333.03
10"	\$13.30	\$1,410.42	\$1,521.84	\$1,642.07	\$1,771.79	\$1,911.76

*This information reflects only rates that are proposed to change. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at [www.otaywater.gov](http://www.otaywater.gov).*

#### Footnotes:

- (1) A typical single-family residential sewer customer's bill is based on 11.9 HCF of water (14 HCF x .85), where one HCF equals 748 gallons or one unit of water. The 15 percent discount is an acknowledgement that not all water purchased goes to the sewer system. The maximum bill for single-family residential sewer customer, based on 30 HCF, which has already been reduced by the 15 percent discount, is \$74.31.
- (2) The Winter Average is defined as the units of water billed from January through April of the previous year divided by four.
- (3) The Monthly System Fee is determined by meter size.
- (4) Projections are for informational purposes only. Increased annually by 7.9 percent.
- (5) On March 18, 2013, the Board of Directors directed staff to propose the phasing-in of the Monthly System Fee increase over a 3 year period. This is \$1.30 less than the Cost of Service Study calculation.
- (6) The projected rate is calculated as follows: 2014 Cost of Service Study Rate + 7.9% inflator (\$15.68+\$1.24).
- (7) The projected rate is calculated as follows: 2015 Cost of Service Study Rate + 7.9% inflator + 2014 recapture (\$16.92 +\$1.34+\$1.30).
- (8) The projected rate is calculated as follows: 2016 Cost of Service Study Rate + 7.9% inflator (\$18.26+\$1.44).
- (9) The projected rate is calculated as follows: 2017 Cost of Service Study Rate + 7.9% inflator (\$19.70 + \$1.56)



Otay Water District  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978-2004  
[www.otaywater.gov](http://www.otaywater.gov)

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**NOTICE OF PUBLIC HEARING**

**IMPORTANT INFORMATION ABOUT  
RESIDENTIAL AND MULTI-RESIDENTIAL SEWER SERVICE**



*Dedicated to Community Service*

[WWW.OTAYWATER.GOV](http://WWW.OTAYWATER.GOV)

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