

OTAY WATER DISTRICT AND  
OTAY SERVICE CORPORATION

SPECIAL MEETING OF THE BOARD OF DIRECTORS  
DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD  
SPRING VALLEY, CALIFORNIA

**MONDAY**  
**May 16, 2011**  
**3:30 P.M.**

**AGENDA**

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE
3. APPROVAL OF AGENDA
4. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

**ACTION ITEMS**

5. ADOPT RESOLUTION NO. 4174 TO AMEND THE 1996 TRUST AGREEMENT FOR THE 1996 VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION TO ALLOW FOR RESCISSION OF A MANDATORY TENDER NOTICE SENT IN CONNECTION WITH SUBSTITUTION OF THE EXISTING LETTER OF CREDIT SECURING THE CERTIFICATES (BEACHEM)
6. ADJOURN OTAY WATER DISTRICT SPECIAL BOARD MEETING
7. CONVENE OTAY SERVICE CORPORATION SPECIAL BOARD MEETING
8. ADOPT RESOLUTION NO. 1007 TO AMEND THE 1996 TRUST AGREEMENT FOR THE 1996 VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION TO ALLOW FOR RESCISSION OF A MANDATORY TENDER NOTICE SENT IN CONNECTION WITH SUBSTITUTION OF THE EXISTING LETTER OF CREDIT SECURING THE CERTIFICATES (BEACHEM)
9. ADJOURN OTAY SERVICE CORPORATION SPECIAL BOARD MEETING
10. CONVENE OTAY WATER DISTRICT SPECIAL BOARD MEETING

WORKSHOP

11. APPROVE FISCAL YEARS 2012-2014 STRATEGIC PLAN (STEVENS)
12. ADOPT RESOLUTION NO. 4173, APPROVING THE FISCAL YEAR 2011-2012 OPERATING AND CAPITAL BUDGETS; APPROVE FUND TRANSFERS FOR POTABLE, RECYCLED, AND SEWER; APPROVE WATER AND SEWER RATE CHANGES ON ALL BILLING CYCLES THAT BEGIN IN CALENDAR YEAR 2012; ADOPT ORDINANCE NO. 530 AMENDING APPENDIX A OF THE CODE OF ORDINANCES WITH THE PROPOSED WATER AND SEWER RATE CHANGES, AND SECTION 53, FEES, RATES, CHARGES AND CONDITIONS FOR SEWER SERVICE; AND OBTAIN APPROVAL OF THE RATE INCREASE NOTICES (BEACHEM)
13. ADJOURNMENT

All items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

The Agenda, and any attachments containing written information, are available at the District's website at [www.otaywater.gov](http://www.otaywater.gov). Written changes to any items to be considered at the open meeting, or to any attachments, will be posted on the District's website. Copies of the Agenda and all attachments are also available through the District Secretary by contacting her at (619) 670-2280.

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on May 12, 2011, I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the special meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on May 12, 2011.

  
\_\_\_\_\_  
Susan Cruz, District Secretary



# AGENDA ITEM 5

## STAFF REPORT

TYPE MEETING:	Special Board Meeting	MEETING DATE:	May 16, 2011
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Finance and Administration		
SUBJECT:	Adopt Resolution No. 4174 to Amend the 1996 Trust Agreement		

### GENERAL MANAGER'S RECOMMENDATION:

That the Board adopts Resolution No. 4174 to amend the 1996 Trust Agreement to provide for rescission of the mandatory tender notice.

### COMMITTEE ACTION: \_\_\_\_\_

None.

### PURPOSE:

To obtain approval by the Board to amend the Trust Agreement for the 1996 Variable Rate Demand Certificates of Participation to allow for rescission of a mandatory tender notice sent in connection with substitution of the existing letter of credit securing the Certificates.

### ANALYSIS:

The District's 1996 Variable Rate Demand Certificates of Participation (1996 COPs) are secured by a letter of credit issued by Heleba Landesbank Hessen-Thuringen Girozentrale (Helaba), which was scheduled to expire on June 10, 2011. Staff has obtained a replacement letter of credit from Union Bank, N.A., however, due to time constraints, the Union Bank letter of credit will not be in place prior to June 3, 2011, the date upon which the trustee would have been required to draw on the existing Heleba letter of credit. A notice of such draw was required to be sent to Certificate owners on May 4, 2011 (30 days prior to the draw date). Subsequent to the mailing of the notice, Heleba agreed to a 30 day extension of the existing

letter of credit to provide an orderly substitution of the Union Bank letter of credit.

When the letter of credit is substituted, the existing 1996 COPs owners are required to tender all of their 1996 COPs to the trustee and the Remarketing Agent (JP Morgan) will remarket the entire issue to the new investors. If the notice regarding the June 3 tender is not rescinded, the Remarketing Agent would be required to remarket the entire issue on June 3 with the existing letter of credit, and then remarket the entire issue three weeks later on June 30 once the Union Bank letter of credit is in place. This will add duplicate costs of remarketing and may cause certain existing investors to drop out of the June 3 remarketing. A slight increase in interest rates is possible if that occurs.

The Trust Agreement for the 1996 COPs does not provide for a rescission of the notice that was sent out on May 4. Approval of an amendment to the Trust Agreement is required by the parties thereto to add this provision and provide for an orderly substitution of the letter of credit at the end of June. The District and the Otay Service Corporation are both parties to the Trust Agreement. The resolutions presented to both the Otay Board and the Board of Directors of the Service Corporation for adoption of the amendment to the Trust Agreement to include provisions for rescission of the notice.

Staff will present additional resolutions at the June 1<sup>st</sup> Board Meeting for the remaining actions required of the Otay Board and the Board of Directors of the Service Corporation to provide for the substitution of the Union Bank letter of credit.

**FISCAL IMPACT:**



None.

**STRATEGIC GOAL:**

Sound financing of District facilities.

**LEGAL IMPACT:**

None.

A handwritten signature in blue ink, appearing to read "Mel Watts", is written above a horizontal line.

**General Manager**

Attachments:

- A) Resolution No. 4174
- B) First Supplemental Trust Agreement

## RESOLUTION NO. 4174

RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY  
WATER DISTRICT APPROVING AN AMENDMENT TO THE  
TRUST AGREEMENT FOR THE VARIABLE RATE DEMAND  
CERTIFICATES OF PARTICIPATION (1996 CAPITAL  
PROJECTS)

WHEREAS, the Otay Water District (the "District") and the Otay Service Corporation (the "Corporation") have previously entered into an Installment Sale Agreement dated as of June 1, 1996 and that certain Trust Agreement dated as of June 1, 1996 (the "Trust Agreement") by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to Chemical Trust Company of California) (the "Trustee") pursuant to which the Otay Water District Variable Rate Demand Certificates of Participation (1996 Capital Projects) (the "Certificates") were executed and delivered; and

WHEREAS, because the letter of credit securing the repayment of the Certificates under the Trust Agreement is expiring the Trustee was required to mail a notice of mandatory tender of the Certificates on May 4, 2011 calling for a mandatory tender on June 3, 2011; and

WHEREAS, the District has been advised that the provider of the existing letter of credit has agreed to extend the term of the letter of credit for approximately one month; and

WHEREAS, the District desires to cause a substitute letter of credit (the "Letter of Credit") from Union Bank, N.A. (the "Bank") to be delivered to the Trustee to replace the existing letter of credit; and

WHEREAS, in light of the extension of the existing letter of credit the District desires to amend the Trust Agreement to allow for the notice of the June 3, 2011 mandatory tender to be rescinded and to allow the mandatory tender to be delayed to coincide with the delivery of the Letter of Credit from the Bank; and

WHEREAS, there has been presented to the District the form of the First Supplemental Trust Agreement dated as of May 25, 2011 by and among the District, the Corporation and the Trustee (the "First Supplemental Trust Agreement") for approval:

WHEREAS, the Board of Directors has determined that the execution and delivery of the First Supplemental Trust Agreement to be desirable and in the best interests of the District and will not adversely affect the interests of the owners of the Certificates;

NOW, THEREFORE, the Board of Directors of the Otay Water District does hereby RESOLVE, DETERMINE and ORDER as follows:

Section 1. Each of the above recitals is true and correct and is adopted by the Board of Directors as the legislative body of the District.

Section 2. The form of the First Supplemental Trust Agreement is hereby approved and each of the President of the Board of Directors, the Vice President of the Board of Directors, the

Treasurer, the General Manager, the Chief Financial Officer, and their written designees (each an “Authorized Officer” and collectively the “Authorized Officers”), acting alone, is hereby authorized and directed to execute and deliver the First Supplemental Trust Agreement in the name of and on behalf of the District, in substantially the form and content now before this meeting, but with such changes, modifications, additions and deletions therein as shall be deemed necessary, desirable or appropriate by the Authorized Officer or Authorized Officers executing the same, such approval to be conclusively evidenced by the execution and delivery thereof by one or more of the Authorized Officers.

Section 3. The Authorized Officers are hereby authorized and directed, to do any and all things and to execute and deliver any and all documents, including amendments to any of the existing documents and agreements relating to the Certificates, which they may deem necessary or advisable in order to consummate the execution and delivery of the First Supplemental Trust Agreement and otherwise to effectuate the purposes of this resolution.

Section 4. This resolution shall take effect upon its adoption.

ADOPTED, SIGNED and APPROVED at a regular meeting of the District this 16th day of May, 2011.

\_\_\_\_\_  
President of the Board of Directors of the Otay Water District

ATTEST:

\_\_\_\_\_  
Secretary of the Board of Directors of the Otay Water District



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**FIRST SUPPLEMENTAL TRUST AGREEMENT**

**Dated as of May 25, 2011**

**by and among**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**

**as Trustee**

**and the**

**OTAY SERVICE CORPORATION**

**and the**

**OTAY WATER DISTRICT**

**relating to the**

**OTAY WATER DISTRICT**

**\$15,400,000**

**VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION  
(1996 CAPITAL PROJECTS)**

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## FIRST SUPPLEMENTAL TRUST AGREEMENT

This FIRST SUPPLEMENTAL TRUST AGREEMENT (this "First Supplement") made and entered into as of May 25, 2011, by and among The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States, successor to Chemical Trust Company of California, as trustee (the "Trustee"), the Otay Service Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and the Otay Water District, a water district duly organized and existing under the Constitution and laws of the State of California (the "District") amends, in part, the Trust Agreement dated as of June 1, 1996 (the "Original Trust Agreement and together with this First Supplemental Trust Agreement, the "Trust Agreement");

### *WITNESSETH:*

**WHEREAS**, the Corporation and the City have previously authorized the preparation, sale and delivery of the Otay Water District Variable Rate Demand Certificates of Participation (1996 Capital Projects) (the "Certificates") which were executed and delivered pursuant to the Original Trust Agreement; and

**WHEREAS**, the District has requested that the Corporation and the Trustee enter into this First Supplement to amend Section 4.12(c) of the Original Trust Agreement to amend the manner by which notice of a mandatory tender of the Certificates is provided to Owners of the Certificates and to allow for notices of mandatory tender to be rescinded where the provider of the existing Facility agrees to extend the term of the Facility and to make certain other changes as described herein; and

**WHEREAS**, the Board of Directors of the District and the Board of Directors of the Corporation have authorized the execution and delivery of this First Supplement; and

**WHEREAS**, the District and Corporation have determined that it is necessary and desirable to amend the Original Trust Agreement as set forth herein, and that the amendment does not adversely affect the interests of the Owners of the Certificates; and

**WHEREAS**, as required by Section 9.01(b)(2) and (4) of the Original Trust Agreement, the District and the Corporation have received the written consent of the Bank to this First Supplement;

**NOW, THEREFORE**, in consideration of the promises and mutual agreements herein contained, the parties hereto do hereby agree as follows:

**Section 1. Amendment to Section 4.12(c) of the Trust Agreement.** In accordance with the provisions of Section 9.01(b)(2) and (4) of the Original Trust Agreement, Section 4.12(c) of the Original Trust Agreement is deleted in its entirety and amended to read as follows:

(c) Notice to Owners. Notice of mandatory tender of Certificates shall be given by mail by the Registrar at the direction of the Trustee to the Owners of the Certificates at least fifteen (15) days prior to the mandatory tender date. A copy of such notice shall be sent to the District, the Tender Agent, the Bank and the Remarketing Agent. Notice having been so given, such mandatory tender shall occur on the date provided in such notice whether or not a Substitute Facility is provided after such notice has been given; provided, however, that with respect to a mandatory tender under Section 4.12(a)(ii), if the Trustee receives an extension of an expiring Facility at least five (5) days

prior to the mandatory tender date, then the mandatory tender shall not occur and the Registrar, at the direction of the Trustee, shall mail notice to the Owners of the Certificates stating that the existing Facility has been extended to the date set forth in the notice, the mandatory tender has been cancelled and the Certificates will continue to bear interest in the mode then in effect.

**Section 2. Amendment to Section 11.13 of the Trust Agreement.** In accordance with the provisions of Section 9.01(b)(2) and (4) of the Original Trust Agreement, Section 11.13 of the Original Trust Agreement is amended by adding the following at the end of Section 11.13:

Notwithstanding the foregoing or any other provision of this Trust Agreement, any person or entity entitled to notice hereunder may agree to receive notice electronically rather than by mail and may waive the requirement for notice hereunder or agree to a shorter notice period than set forth in this Trust Agreement.

**Section 3. Defined Terms.** All capitalized terms not defined herein shall have the meaning set forth in the Original Trust Agreement.

**Section 4. Execution in Counterparts.** This First Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 5. Governing Law.** This First Supplement shall be construed and governed in accordance with the laws of the State of California.

**Section 4. No Other Amendments.** Except as amended by Section 1 above, all other provisions of the Trust Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this First Supplement as of the date and year first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: \_\_\_\_\_  
Its: Authorized Officer

OTAY SERVICE CORPORATION

By: \_\_\_\_\_  
Its: Treasurer

ATTEST:

\_\_\_\_\_  
Secretary

OTAY WATER DISTRICT

By: \_\_\_\_\_  
Its: General Manager

ATTEST:

\_\_\_\_\_  
Secretary



# AGENDA ITEM 8

## STAFF REPORT

TYPE MEETING:	Special Board Meeting of the Otay Service Corporation	MEETING DATE:	May 16, 2011
SUBMITTED BY:	<i>Link Bell</i> Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):	<i>German Alva</i> German Alvaquez, Assistant General Manager, Finance and Administration		
SUBJECT:	Adopt Resolution No. 1007 to Amend the 1996 Trust Agreement		

### GENERAL MANAGER'S RECOMMENDATION:

That the Board adopts Resolution No. 1007 to amend the 1996 Trust Agreement to provide for rescission of the mandatory tender notice.

### COMMITTEE ACTION: \_\_\_\_\_

None.

### PURPOSE:

To obtain approval by the Board to amend the Trust Agreement for the 1996 Variable Rate Demand Certificates of Participation to allow for rescission of a mandatory tender notice sent in connection with substitution of the existing letter of credit securing the Certificates.

### ANALYSIS:

The District's 1996 Variable Rate Demand Certificates of Participation (1996 COPs) are secured by a letter of credit issued by Heleba Landesbank Hessen-Thuringen Girozentrale (Helaba), which was scheduled to expire on June 10, 2011. Staff has obtained a replacement letter of credit from Union Bank, N.A., however, due to time constraints, the Union Bank letter of credit will not be in place prior to June 3, 2011, the date upon which the trustee would have been required to draw on the existing Heleba letter of credit. A notice of such draw was required to be sent to Certificate owners on May 4, 2011 (30 days prior to the draw date). Subsequent to the mailing of the

notice, Heleba agreed to a 30 day extension of the existing letter of credit to provide an orderly substitution of the Union Bank letter of credit.

When the letter of credit is substituted, the existing 1996 COPs owners are required to tender all of their 1996 COPs to the trustee and the Remarketing Agent (JP Morgan) will remarket the entire issue to the new investors. If the notice regarding the June 3 tender is not rescinded, the Remarketing Agent would be required to remarket the entire issue on June 3 with the existing letter of credit, and then remarket the entire issue three weeks later on June 30 once the Union Bank letter of credit is in place. This will add duplicate costs of remarketing and may cause certain existing investors to drop out of the June 3 remarketing. A slight increase in interest rates is possible if that occurs.

The Trust Agreement for the 1996 COPs does not provide for a rescission of the notice that was sent out on May 4. Approval of an amendment to the Trust Agreement is required by the parties thereto to add this provision and provide for an orderly substitution of the letter of credit at the end of June. The District and the Otay Service Corporation are both parties to the Trust Agreement. The resolutions presented to both the Otay Board and the Board of Directors of the Service Corporation for adoption of the amendment to the Trust Agreement to include provisions for rescission of the notice.

Staff will present additional resolutions at the June 1<sup>st</sup> Board Meeting for the remaining actions required of the Otay Board and the Board of Directors of the Service Corporation to provide for the substitution of the Union Bank letter of credit.

**FISCAL IMPACT:** 

None.

**STRATEGIC GOAL:**

Sound financing of District facilities.

**LEGAL IMPACT:**

None.



**General Manager**

Attachments:

- A) Resolution No. 1007
- B) First Supplemental Trust Agreement

## RESOLUTION NO. 1007

## RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY SERVICE CORPORATION APPROVING AN AMENDMENT TO THE TRUST AGREEMENT FOR THE VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION (1996 CAPITAL PROJECTS)

WHEREAS, the Otay Water District (the "District") and the Otay Service Corporation (the "Corporation") have previously entered into an Installment Sale Agreement dated as of June 1, 1996 and that certain Trust Agreement dated as of June 1, 1996 (the "Trust Agreement") by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to Chemical Trust Company of California) (the "Trustee") pursuant to which the Otay Water District Variable Rate Demand Certificates of Participation (1996 Capital Projects) (the "Certificates") were executed and delivered; and

WHEREAS, because the letter of credit securing the repayment of the Certificates under the Trust Agreement is expiring the Trustee was required to mail a notice of mandatory tender of the Certificates on May 4, 2011 calling for a mandatory tender on June 3, 2011; and

WHEREAS, the District has advised the Corporation that the provider of the existing letter of credit has agreed to extend the term of the letter of credit for approximately one month; and

WHEREAS, the District has advised the Corporation that it desires to cause a substitute letter of credit (the "Letter of Credit") from Union Bank, N.A. (the "Bank") to be delivered to the Trustee to replace the existing letter of credit; and

WHEREAS, in light of the extension of the existing letter of credit the District has advised the Corporation that it desires to amend the Trust Agreement to allow for the notice of the June 3, 2011 mandatory tender to be rescinded and to allow the mandatory tender to be delayed to coincide with the delivery of the Letter of Credit from the Bank; and

WHEREAS, there has been presented to the Corporation the form of the First Supplemental Trust Agreement dated as of May 25, 2011 by and among the District, the Corporation and the Trustee (the "First Supplemental Trust Agreement") for approval:

WHEREAS, the Board of Directors has determined that the adoption of this resolution is consistent with the stated purposes of the Corporation to assist the District in its financing needs, is desirable and will not adversely affect the interests of the owners of the Certificates;

NOW, THEREFORE, the Board of Directors of the Otay Service Corporation does hereby RESOLVE, DETERMINE and ORDER as follows:

Section 1. Each of the above recitals is true and correct.

Section 2. The First Supplemental Trust Agreement is hereby approved and each of the President, Vice President, Executive Director, Chief Financial Officer or Assistant Chief Financial Officer and their written designees (the "Authorized Officers"), acting alone, is hereby authorized and directed to execute and deliver the First Supplemental Trust Agreement in the name of and on behalf of the Corporation, in substantially the form now before this meeting, but with such changes, modification, additions and deletions therein as shall be deemed necessary, desirable or appropriate by the Authorized Officer or Authorized Officers executing the First Supplemental Trust Agreement. Approval of such changes shall be conclusively evidenced by the execution and delivery of the First Supplemental Trust Agreement by one or more Authorized Officers.

Section 3. The Authorized Officers are hereby authorized and directed, to do any and all things and to execute and deliver any and all documents, including amendments to any of the existing documents and agreements relating to the Certificates, which they may deem necessary or advisable in order to consummate the execution and delivery of the First Supplemental Trust Agreement and otherwise to effectuate the purposes of this resolution.

Section 4. This resolution shall take effect upon its adoption.

ADOPTED, SIGNED and APPROVED at a special meeting of the Corporation this 16th day of May, 2011.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary



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**FIRST SUPPLEMENTAL TRUST AGREEMENT**

**Dated as of May 25, 2011**

**by and among**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**

**as Trustee**

**and the**

**OTAY SERVICE CORPORATION**

**and the**

**OTAY WATER DISTRICT**

**relating to the**

**OTAY WATER DISTRICT  
\$15,400,000  
VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION  
(1996 CAPITAL PROJECTS)**

## FIRST SUPPLEMENTAL TRUST AGREEMENT

This FIRST SUPPLEMENTAL TRUST AGREEMENT (this "First Supplement") made and entered into as of May 25, 2011, by and among The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States, successor to Chemical Trust Company of California, as trustee (the "Trustee"), the Otay Service Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and the Otay Water District, a water district duly organized and existing under the Constitution and laws of the State of California (the "District") amends, in part, the Trust Agreement dated as of June 1, 1996 (the "Original Trust Agreement and together with this First Supplemental Trust Agreement, the "Trust Agreement");

### *WITNESSETH:*

**WHEREAS**, the Corporation and the City have previously authorized the preparation, sale and delivery of the Otay Water District Variable Rate Demand Certificates of Participation (1996 Capital Projects) (the "Certificates") which were executed and delivered pursuant to the Original Trust Agreement; and

**WHEREAS**, the District has requested that the Corporation and the Trustee enter into this First Supplement to amend Section 4.12(c) of the Original Trust Agreement to amend the manner by which notice of a mandatory tender of the Certificates is provided to Owners of the Certificates and to allow for notices of mandatory tender to be rescinded where the provider of the existing Facility agrees to extend the term of the Facility and to make certain other changes as described herein; and

**WHEREAS**, the Board of Directors of the District and the Board of Directors of the Corporation have authorized the execution and delivery of this First Supplement; and

**WHEREAS**, the District and Corporation have determined that it is necessary and desirable to amend the Original Trust Agreement as set forth herein, and that the amendment does not adversely affect the interests of the Owners of the Certificates; and

**WHEREAS**, as required by Section 9.01(b)(2) and (4) of the Original Trust Agreement, the District and the Corporation have received the written consent of the Bank to this First Supplement;

**NOW, THEREFORE**, in consideration of the promises and mutual agreements herein contained, the parties hereto do hereby agree as follows:

**Section 1. Amendment to Section 4.12(c) of the Trust Agreement.** In accordance with the provisions of Section 9.01(b)(2) and (4) of the Original Trust Agreement, Section 4.12(c) of the Original Trust Agreement is deleted in its entirety and amended to read as follows:

(c) Notice to Owners. Notice of mandatory tender of Certificates shall be given by mail by the Registrar at the direction of the Trustee to the Owners of the Certificates at least fifteen (15) days prior to the mandatory tender date. A copy of such notice shall be sent to the District, the Tender Agent, the Bank and the Remarketing Agent. Notice having been so given, such mandatory tender shall occur on the date provided in such notice whether or not a Substitute Facility is provided after such notice has been given; provided, however, that with respect to a mandatory tender under Section 4.12(a)(ii), if the Trustee receives an extension of an expiring Facility at least five (5) days

prior to the mandatory tender date, then the mandatory tender shall not occur and the Registrar, at the direction of the Trustee, shall mail notice to the Owners of the Certificates stating that the existing Facility has been extended to the date set forth in the notice, the mandatory tender has been cancelled and the Certificates will continue to bear interest in the mode then in effect.

**Section 2. Amendment to Section 11.13 of the Trust Agreement.** In accordance with the provisions of Section 9.01(b)(2) and (4) of the Original Trust Agreement, Section 11.13 of the Original Trust Agreement is amended by adding the following at the end of Section 11.13:

Notwithstanding the foregoing or any other provision of this Trust Agreement, any person or entity entitled to notice hereunder may agree to receive notice electronically rather than by mail and may waive the requirement for notice hereunder or agree to a shorter notice period than set forth in this Trust Agreement.

**Section 3. Defined Terms.** All capitalized terms not defined herein shall have the meaning set forth in the Original Trust Agreement.

**Section 4. Execution in Counterparts.** This First Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 5. Governing Law.** This First Supplement shall be construed and governed in accordance with the laws of the State of California.

**Section 4. No Other Amendments.** Except as amended by Section 1 above, all other provisions of the Trust Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this First Supplement as of the date and year first above written.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee

By: \_\_\_\_\_  
Its: Authorized Officer

OTAY SERVICE CORPORATION

By: \_\_\_\_\_  
Its: Treasurer

ATTEST:

\_\_\_\_\_  
Secretary

OTAY WATER DISTRICT

By: \_\_\_\_\_  
Its: General Manager

ATTEST:

\_\_\_\_\_  
Secretary



# AGENDA ITEM 11

## STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	May 16, 2011
SUBMITTED BY:	Geoffrey Stevens, Chief Information Technology and Strategic Planning	W.O./G.F. NO:	DIV. NO.
APPROVED BY: (Chief)	German Alvarez, Assistant General Manager, Administration and Finance		
APPROVED BY: (Asst. GM):			
SUBJECT:	Fiscal Years 2012-2014 Strategic Plan		

### GENERAL MANAGER'S RECOMMENDATION:

That the Board accept this informational report on the District's 2012-2014 Strategic Plan.

### COMMITTEE ACTION:

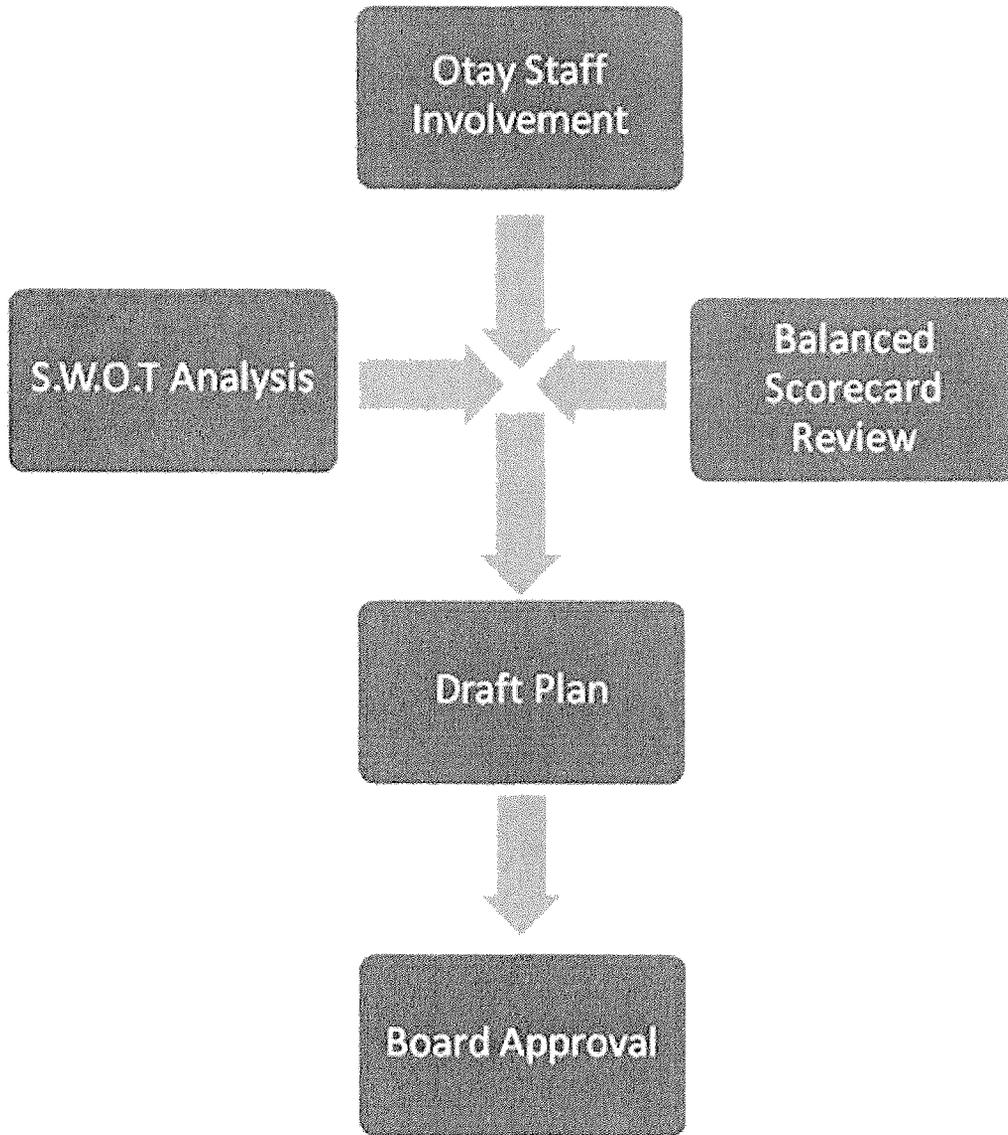
See Attachment A.

### PURPOSE:

To present the District's Fiscal Years 2012-2014 Strategic Plan.

### ANALYSIS:

Attached is the draft Fiscal Years 2012-2014 Strategic Plan. As part of the budget approval process, staff presents the draft Strategic Plan for review and comment to the Board. In the past we have utilized consulting assistance in developing our plans; however, this year the Senior Management Team participated in several internally guided strategic planning activities to establish a well-rounded set of objectives.



The plan was developed from both a bottom up and a top down perspective. To begin the process, the Senior Team carefully reviewed the results and content of the FY09-11 plan. Next, each chief met with their staff to get a collective list of ideas for the plan. Once those ideas were reviewed and discussed, they were filtered using a S.W.O.T analysis assessing the District's **Strengths, Weaknesses, Opportunities, and Threats. To further focus the suggested Strategic Plan objectives, another analysis examined the plan from the Balanced Scorecard perspective. The intent was to ensure only strategic items that directly supported the District's mission and vision made it into the plan. The outcome was a highly focused and fine-tuned plan that touches all areas of the District and moves the organization in the right direction.**

This plan is composed of four areas of focus (Customer, Financial, Business Process, and Learning & Growth). Each area has strategies, goals, and objectives defined to meet our future needs. The team will finalize detailed measurement strategies to accomplish the objectives once the plan is approved.

The existing Performance measures have been reviewed and incorporated into the new plan, and are listed in the attached document. Staff expects that as we modify and improve business practices measures will also be adjusted and updated. Each process evaluation will provide us with valuable metrics that provide management with useful information required to make educated decisions.

All strategic plan items have budget support in the FY2012-2014 budgets. Approval of the budget will fully fund the strategic plan objectives.

In conclusion, District staff participated in the development of this plan and are enthusiastic and supportive. The approval and execution of this plan will achieve the Board's and General Manager's vision to create:

**"A District that is innovative in providing water services at affordable rates, with a reputation for outstanding customer service."**

**FISCAL IMPACT:** \_\_\_\_\_

None at this time.

**STRATEGIC GOAL:**

The Strategic Plan is the core document for all District planning.

**LEGAL IMPACT:** \_\_\_\_\_

None



\_\_\_\_\_  
**General Manager**



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Fiscal Years 2012-2014 Draft Strategic Plan
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**COMMITTEE ACTION:**

This item is presented as part of a Board workshop which substitutes for the Board Committee review process. No committee actions occurred.

# OTAY WATER DISTRICT

## FY 2012-2014 Strategic Plan



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graph TD; A[Otay Staff Involvement] --> B(( )); B --> C[Draft Plan]; C --> D[Board Approval]; S[S.W.O.T Analysis] --> B; R[Balanced Scorecard Review] --> B;
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Otay Staff Involvement

S.W.O.T Analysis

Balanced Scorecard Review

Draft Plan

Board Approval



# Mission & Vision

## MISSION

*To provide high value water and wastewater services to the customers of the Otay Water District, in a professional, effective and efficient manner.*

## VISION

*A District that is innovative in providing water services at affordable rates, with a reputation for outstanding customer service.*





# Statement of Values

As Otay Water District employees we dedicate ourselves to:

**CUSTOMERS:**

We take pride that our commitment to customer-centered service is our highest priority.

**EXCELLENCE:**

We strive to provide the highest quality and value in all that we do.

**INTEGRITY:**

We commit ourselves to doing the right thing. Ethical behavior, trustworthiness and accountability are the District's foundation.

**TEAMWORK:**

We promote mutual trust by sharing information, knowledge and ideas to reach our common goals.

**EMPLOYEES:**

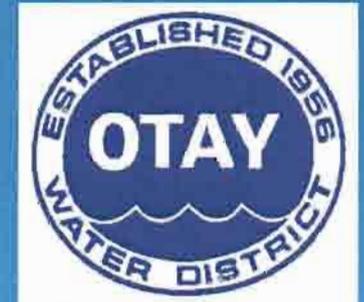
We see each individual as unique and important. We value diversity and open communication to promote fairness, dignity and respect.

# Key Challenge

**Our key District challenge is to add increased *value* by improving our core business processes.** From a water supply perspective, this means determining the optimum mix of water supply, treatment, and delivery solutions for our customers. From a daily operating perspective, efficiency improvements have become the primary source of competitive advantage and cost optimization for utilities. Adding value from this perspective means **the entire team focusing on not only the highest priority goals but also examining the details of what we do every day and be willing to alter how we do it if it makes a positive difference.** Our employees voice a high degree of personal and professional satisfaction with our direction and the entire team is committed to meeting this key challenge with distinction.



# Key Initiatives





# Strategic Planning and Information Technology

(Geoff Stevens)

- Assess key business processes and implement relevant opportunities for improvement
- Continue development of the Asset Management program
- Utilize information systems to improve integrity of customer related data
- Optimize the use of SharePoint by implementing electronic forms, personnel services, and automating the staff reports business process



# Administrative Services

(Rom Sarno)

- Assess key business processes and implement relevant opportunities for improvement
- Identify management initiatives for represented/ unrepresented employees in preparation for negotiations that will provide more efficiencies and more flexibility
- Evaluate policies and procedures as appropriate to streamline processes and ensure the District remains competitive
- Update performance evaluation categories/program to ensure a results-oriented workforce and update and provide training if needed

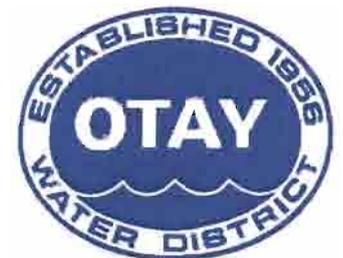




# Finance

(Joe Beachem)

- Assess key business processes and implement relevant opportunities for improvement
- Enhance communications with customers using our new phone system
- Increase customers employing online bill payment





# Engineering

(Rod Posada)

- Assess key business processes and implement relevant opportunities for improvement
- Strengthen CIP Planning, Budgeting, and Cost Tracking processes
- Prepare and implement a Waste Water Management Plan
- Implement the recommendations within the Integrated Water Resource Plan (IRP) to acquire alternative potable and recycled water resources





# Operations

(Pedro Porras)

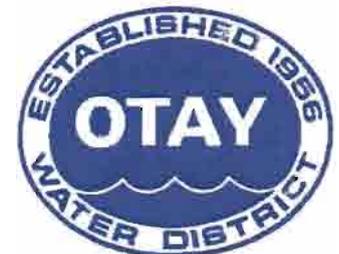
- Improve the District's Asset Management program
- Improve the District's computerized maintenance management system (CMMS)
- Review business practices with the goal of increasing integration between departmental functions





# Next Steps

- Further refine Performance Measures
- Clarify objective project plans
- Leverage the expertise of Otay's management team to execute the plan
- Board endorsement of the FY12-14 Strategic Plan



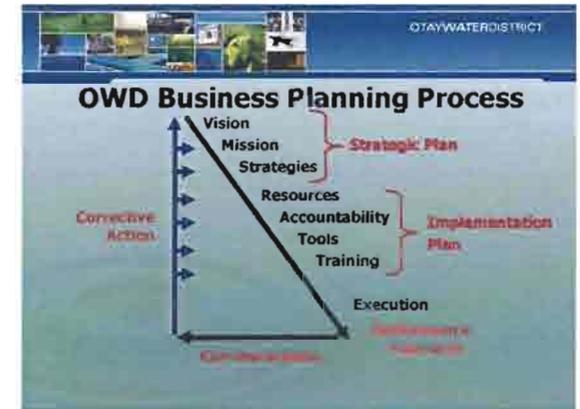
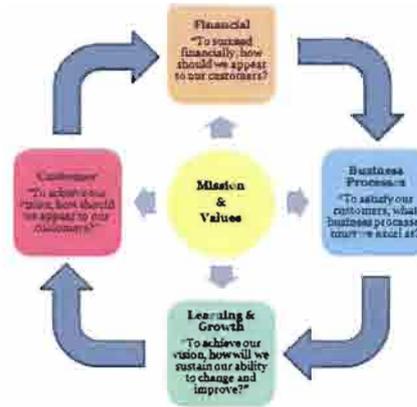


# Otay Water District

## Strategic Performance Management Plan

*Fiscal Year 2012-2014*

**SWOT ANALYSIS CHART**



**Otay Water District  
Strategic Plan  
Fiscal Years 2012-2014**

Not Yet Approved By The Board

**STRATEGIC PLAN  
FISCAL YEARS 2012-2014**

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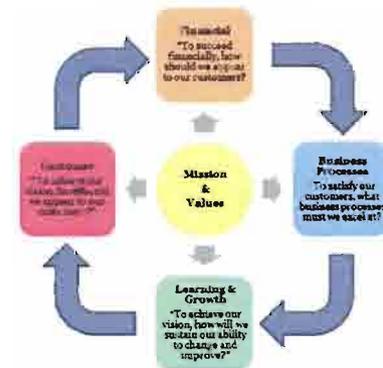
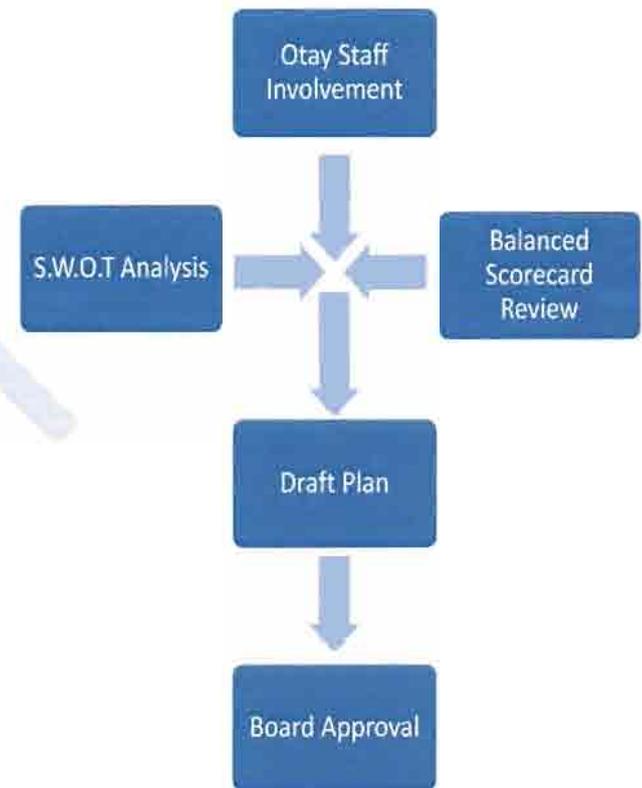
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# INTRODUCTION

The strategic plan is the core document which guides the agency's efforts to meet and positively adapt to change. Every three years the District engages in a major revision of its strategic plan. This current plan (covering fiscal years 2012-2014) is the fourth in a series of three-year plans beginning in 2003.

In order to develop the FY12-14 Strategic Plan, each Chief meets with their staff to get a collective list of ideas. Once these ideas are reviewed and discussed, they are filtered using a S.W.O.T analysis, assessing the District's Strengths, Weaknesses, Opportunities, and Threats. To further focus the suggested objectives, another analysis examines the plan from the Balanced Scorecard perspective (Customer, Financial, Business Process, Learning & Growth).

The Senior Management Team reviews every strategy, goal, objective, project plan, performance measure, and target contained in the plan. Through this team discussion process the General Manager gains consensus with his staff on the exact priorities for the District, including detailed financial and resource considerations required to execute the plan. Thus, the plan serves as an informal contract between the agency staff and the General Manager on the strategic work that will be done and what the agency hopes to achieve over the next three years. In turn, the General Manager presents the plan to the Board for approval. Through the strategic plan and budget approval processes, the Board is then able to make well informed oversight decisions about the utility's direction.





## MISSION

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## VISION

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**Mission  
Vision  
&  
Values**

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**Mission  
Vision  
&  
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## KEY CHALLENGE

**Our key District challenge is to add increased *value* by improving our core business processes.** From a water supply perspective, this means determining the optimum mix of water supply, treatment, and delivery solutions for our customers. From a daily operating perspective, efficiency improvements have become the primary source of competitive advantage and cost optimization for utilities. Adding value from this perspective means **the entire team focusing on not only the highest priority goals but also examining the details of what we do every day and be willing to alter how we do it if it makes a positive difference.** Our employees voice a high degree of personal and professional satisfaction with our direction and the entire team is committed to meeting this key challenge with distinction.

Mission  
Vision  
&  
Values

# OTAY WATER DISTRICT

## Strategic Plan

Fiscal Years 2012-2014

**I. CUSTOMER – Deliver high quality services to meet customer needs, and increase confidence of the customer in the value the District provides.**

**A. “Maximize our customer satisfaction by expanding and improving communications”**

1. Enhance communications with customers using our new phone system.
2. Evaluate and improve effectiveness and cost of bill.
3. Regularly evaluate communications tools and explore the effective use of new media options including: electronic newsletters, auto-dialer services, video streaming, social networks, or web media to ensure the District’s outreach efforts are cost-effectively reaching all stakeholders.
4. Continue promoting the Water Conservation Garden as a venue for new homeowners, developers, businesses and existing homeowners.
5. Increase customers employing on-line bill payment.

**Customer**

“To achieve our vision, how should we appear to our customers?”

**II. FINANCIAL -- Provide enhanced value by directing and managing the financial issues that are critical to the District.**

**A. "Improve financial information and systems"**

1. Strengthen the long term financial plan.
2. Develop a management dashboard measuring cost and efficiency.
3. Develop sewer capacity fees for expansion.
4. Re-negotiate the South Bay Water Reclamation Plant (SBWRP) recycled water supply agreement with the City of San Diego.
5. Enhance the integrated water loss and use accounting process.
6. Evaluate the feasibility of replacing the existing customer information system or migrating to the new version of the Eden software.

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**Financial**  
"To succeed financially, how should we appear to our customers?"

**III. BUSINESS PROCESS -- Improve business functionality by constantly improving the efficiency and effectiveness of important business processes.**

**A. “Actively manage water supply and demand”**

1. Prepare and implement a Waste Water Management Plan.
2. Implement the recommendations within the Integrated Water Resources Plan (IRP) to acquire alternative and/or additional potable and recycled water supplies and reliability.
3. Continue working with the City of Chula Vista for the possible development of an MBR Plant and for a potential agreement with the City for recycled water supplies from the MBR Plant.
4. Closely monitor the District’s potable water demand to ensure the District will remain on target to achieve its 2015 gpcd target as identified in the 2010 Urban Water Management Plan.
5. Work with the District’s largest potable water customers to convert landscape and interior water use to recycled water where fiscally feasible and safe.
6. Ensure best practices are followed in meeting the 20 by 2020 conservation targets including reclassification of industrial and commercial customers.
7. Educate and work with local agencies and others to influence developers, builders, and to incorporate practical water efficient practices in new construction.

**B. “Identify and implement improvements to the following business processes”**

1. Assess key business processes and implement relevant opportunities for improvement (applies to all departments).
2. Continue development of the Asset Management program.
3. Strengthen CIP planning, budgeting, and cost tracking processes.
4. Optimize the use of SharePoint by implementing electronic forms, personnel services, and automating the staff reports business process.
5. Enhance the inventory management system.
6. Enhance security processes and planning.
7. Update the disaster recovery plan.
8. Update District-wide Records Management Program.
9. Utilize information systems to improve integrity of customer related data.
10. Improve and streamline meter related processes.
11. Explore opportunities for improving and streamlining survey and inspection business processes.
12. Improve the District’s computerized maintenance management system (CMMS)

**Business Processes**  
“To satisfy our customers, what business processes must we excel at?”

**IV. LEARNING & GROWTH -- Provide the leadership, tools, and management commitment to become a more results oriented culture.**

**A. “Results-oriented workforce”**

1. Identify management initiatives for represented/unrepresented employees in preparation for negotiations that will provide more efficiencies and more flexibility.
2. Evaluate policies and procedures as appropriate to streamline processes and ensure the District remains competitive.
3. Review classification plan with the goal of providing greater flexibility.
4. Negotiate a successor Memorandum of Understanding for represented employees for 2014 and beyond, and related compensations and benefits for unrepresented employees.
5. Senior Management Team to develop summary of expectations for management team to manage change in the future.
6. Update performance evaluation categories/program to ensure a results-oriented workforce and update and provide training if needed.
7. Evaluate pay-for-performance program to ensure the District is rewarding employees for innovations and business process review.
8. Establish a forum for continuous discussion regarding sections/units identifying business process review in support of the District’s mission.

**Learning & Growth**  
“To achieve our vision, how will we sustain our ability to change and improve?”

# OTAY WATER DISTRICT

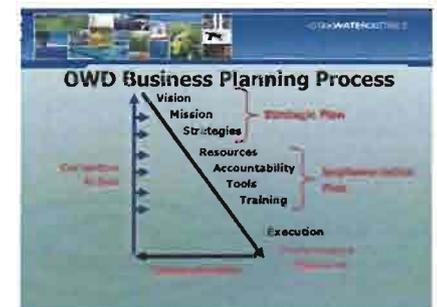
## Strategic Plan Performance Measures

### Fiscal Years 2012-2014

#### Performance Management

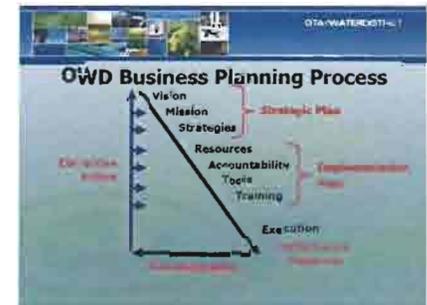
Performance metrics and targets are a critical element of the strategic plan but differ from strategic plan objectives. Objectives identify the action items that are necessary to achieve the strategic vision. Performance measures are designed to ensure the day-to-day operations of the utility are meeting agreed upon expectations. Performance measures are in the process of being revised and will be finalized prior to plan initiation on July 1, 2011. We will advise the Board in June when the measures have been thoroughly developed and meaningful targets have been identified.

- **Customer Satisfaction:** Percent positive/Percent surveyed.
- **Blanket Order Activity:** Total dollars on blanket for materials/Total material purchases.
- **Total Customer Water Saved:** Total savings in acre-feet added cumulatively throughout the fiscal year.
- **Otay Water Use (District Meters):** Total metered water use (number derived from a report).
- **District Total Potable Water Purchase:** Actual amount of potable water purchased from CWA each quarter.
- **Health & Safety Severity Rate:** Number of lost days/Number of injuries resulting in lost time.
- **Employee Turnover Rate:** Number of voluntary terminations/ Average number of employees.
- **Training Hours per Employee:** Total qualified training hours for all employees/Average # of FTE.
- **Safety Training Program:** # of safety training hours for the quarter/# of field employees.



- **CIP Project Expenditures vs. Budget:** Actual quarterly expenditures/Annual budget.
- **Construction Change Order Incidence:** Total cost of change orders/Total original construction contract amount.
- **Mark Our Accuracy:** Number of markouts performed without an at-fault hit, which is damage to a District facility that results from a missing or erroneous markout/Total number of markouts performed.
- **Project Closeout Time:** Average number of days between NOSC and NOC for all construction projects within the quarter.
- **Answer Rate:** Number of all calls answered/Number of all calls received during a quarter.
- **O&M Cost per Account:** Total operations O&M costs/# of accounts.
- **Billing Accuracy:** Number of correct bills during the reporting period/Number of total bills during the reporting period.
- **Overtime Percentage:** Actual overtime costs (including comp time)/Budgeted overtime costs.
- **Sewer Rate Ranking:** Otay ranking for the average bill for sewer/# of agencies.
- **Water Rate Ranking:** Otay ranking among CWA member agencies for average.
- **Debt Coverage Ratio:** Qualified net operating revenues/Debt service requirements.
- **Reserve Level:** Number of reserve funds that meet or exceed fund target levels/Total # of reserve funds (9).
- **Distribution System Loss:**  $100 \left[ \frac{\text{volume purchased} - (\text{volume sold} + \text{volume used})}{\text{Volume purchased}} \right]$ .
- **Customer Satisfaction with Website:** Annual Customer Opinion and Awareness Survey.
- **Network Availability:** Time availability of core applications during business hours/Total time.
- **Website Hits:** Average total visitors per month.

**Unplanned Disruptions:** Number of customer accounts experiencing unplanned disruptions times 1000/ Number of active customers.



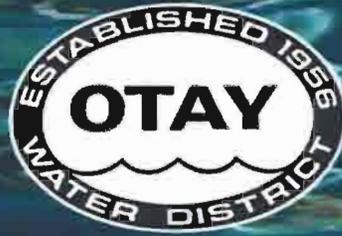
- **Technical Quality Complaint:**  $1000 \times (\text{number of technical quality – associated complaints}) / \text{Number of active customer accounts per reporting period.}$
- **Planned Potable Water Maintenance Ratio in \$:**  $\text{Total planned maintenance cost} / \text{Total maintenance cost.}$
- **Planned Recycled Water Maintenance Ratio in \$:**  $\text{Total planned maintenance cost} / \text{Total maintenance cost.}$
- **Planned Wastewater Maintenance Ratio in \$:**  $\text{Total planned maintenance cost} / \text{Total maintenance cost.}$
- **Direct Cost of Treatment per MGD:**  $\text{Total O\&M costs directly attributable to sewer treatment} / \text{Total volume (in MGD) during the reporting period.}$
- **O&M Cost per MGP – Wastewater:**  $\text{Total O\&M cost (less depreciation)} / \text{Volume in MG processed during the reporting period.}$
- **%PM's Completed – Fleet Shop:**  $\# \text{ of PM's completed for the quarter} / \# \text{ of PM's scheduled to be completed for the quarter.}$
- **%PM's Completed – Reclamation Plant:**  $\# \text{ of PM's completed for the quarter} / \# \text{ of PM's scheduled to be completed for the quarter.}$
- **%PM's Completed – Pump/Electric Section:**  $\# \text{ of PM's completed for the quarter} / \# \text{ of PM's scheduled to be completed for the quarter.}$
- **%PM's Completed – Valve Maintenance Program:**  $\# \text{ of PM's completed for the quarter} / \# \text{ of PM's scheduled to be completed for the quarter.}$
- **Valve Exercising Program:**  $\text{Actual number of valves exercised per qtr} / 423 \text{ valves per qtr.}$
- **Water Distribution System Integrity:**  $100 (\text{annual total number of leaks} + \text{annual total number of breaks}) / \text{Total miles of distribution piping.}$
- **Planned Water Service Disruption Rate:**  $1000 \times \text{number of customer experiencing disruption} / \text{Number of active customer accounts per year.}$



- **Potable Water Compliance Rate:**  $100 \times \text{number of days the primary health regulations are met} / \text{Number of days in the quarter}$ .
- **Collection System Integrity:**  $100 \times \text{total number of collection system failures during the year} / \text{Total miles of collection system piping}$ .
- **Replace Manual Read Meters with Automated Meters:** Total meter changes completed in a year.
- **Recycled Water System Integrity:**  $100 \times \text{number of leaks or breaks} / \text{Number of miles of distribution system}$ .
- **Sewer Overflow Rate:**  $100 \times \text{total number of sewer overflows during the reporting period} / \text{Total miles of pipe in the sewage collection system}$ .

DRAFT





Otay Water District  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978

[www.otaywater.gov](http://www.otaywater.gov)



**Sewer:**

General Fund Reserve	\$191,800
Replacement to Designated Expansion	\$430,000
Replacement to General Fund	\$120,000
Designated Betterment to General Fund	\$30,000

- c) Adopt Ordinance No. 530 to amend Appendix A of the Code of Ordinances with the proposed water and sewer changes as presented in the FY 2011-2012 Operating and Capital Budget and amend Section 53.
- d) Direct staff to send customers notices of rate increases.

**PURPOSE:**

To obtain approval of the Fiscal Year 2011-2012 Operating and Capital Budget; various fund transfers; adopt Resolution No. 4173 to approve a 7.7% water rate increase and a 7.5% sewer rate increase; and direct staff to send customers notices of the rate increases.

**BACKGROUND:**

Each year the District goes through a rate setting process with new challenges. The process typically begins in January and ends with the implementation of rates the following January. This year, CWA is raising rates by 9.5%, and water sales are projected to be 3.1% less than last year's budget. Staff has prepared the proposed Operating and Capital Budget with the recommended water and sewer rates for adoption by the Board.

Staff has made every effort to present the most realistic set of factors and assumptions based on information received from various sources including: the Metropolitan Water District of Southern California (MWD), the San Diego County Water Authority (CWA), wholesale water suppliers, vendors such as SDG&E, and local economists, while also taking into account other economic indicators affecting revenues such as property taxes and lease agreements.

**DISCUSSION:**

This year, the challenges affecting water rates are the ongoing water cost increases by CWA & MWD, reduced water sales, maintaining the District's debt coverage ratios, and the need to

fund capital projects. In addition, reduced water sales result in a higher percentage of water being sold in the lower priced tiers. The focus on the sewer side is on higher costs due to the City of San Diego - Wastewater Department costs to transport and treat sewer. Also significant to sewer customers is the elimination of the sewer debt payments as a result of the final payment debt payment being made in 2011. The following discussion and the attached presentation review these significant issues.

### **Water Costs**

Fiscal Year 2012 has a number of challenges that have an impact on water rates. The most significant challenge is that the potable water suppliers, CWA and MWD, have a combined rate increase of 9.5%. Like the District, both of these agencies have experienced lower water sales affecting their bottom line, thus putting more pressure on rates. The cost of obtaining a secure water supply in the existing environment is driving up the cost of water. In addition, the repair and maintenance of MWD's aging facilities, CWA's emergency water storage facilities including the San Vicente Dam Raise Project costs, are adding to this cost pressure. Finally, with lower water sales due to conservation messages and economic challenges, the fixed costs are being spread over a smaller sales base. All of these factors play a significant role in the higher cost of water to the District.

With water costs representing 49% of the District's operating budget, any change in the water price has a significant impact on the overall operating budget. With the budget's sensitivity to water rates, even with a reduction in the purchases of water by approximately 1.9%, there is still an increase in the cost of water purchases of \$3.2 million due to CWA's January 1, 2011 and the 2012 planned price increase.

### **Debt Coverage and Credit Ratings**

In September 2008, the District was able to obtain a rating upgrade from Standard & Poor's to AA. On April 30, 2010, Fitch Ratings upgraded Otay Water District's credit rating to AA from AA- as a part of their global ratings recalibration for municipal agencies. While the credit rating is an overall rating and many factors are considered when these ratings are determined, one of the main financial ratios considered is the Debt Coverage Ratio. This ratio is the measure of net revenues compared to debt service.

The District has historically held the "no growth" version of the debt coverage ratio over 125% with a target of 150%. With the economic difficulties experienced over the past few years, it is now expected that for the District to maintain a strong credit rating it should maintain the "no growth" debt coverage ratio at a minimum of 105%. With a 7.7% rate increase, the District will maintain this ratio at 105% in 2012. In 2013 the debt coverage ratio will build to 126% and then for 2014 through 2017 the District is expected to maintain a stable and strong debt coverage ratio above 150%. Rating agencies look at how the debt coverage ratios are trending. In the District's case, the positive trend is expected to maintain the District's credit rating. The true debt coverage ratio, as defined in the bond covenants, includes growth revenues and is required to stay at or above 125%. The District is well above this covenant level in all years. In later years, growth revenues are expected to boost the true debt coverage ratio to above 250%.

Water sales are a significant variable affecting the District's financial standing. Daily monitoring of sales is a focus of the District to provide timely information that enables the District to react as needed.

### **Financing Plan**

The District uses a comprehensive approach to financing. The Finance Policy provides guidance on debt issuances and refinancing and the Reserve Policy provides guidance on both fund transfers and reserve balances. With these policies a six-year financing plan is formulated that identifies the timing and amounts of debt issuances, the level of rate increases, debt coverage ratios, reserve balances, and necessary transfers.

At the current level of CIP expenditures, it is expected the District will not issue debt in the coming fiscal year; however, it is likely that another debt issuance of \$18 million will be needed in FY 2014, followed by \$28.4 million in 2016. This level of debt, along with the timing of the debt, is highly dependent on the rate at which growth returns to the District and how management responds to these variables. Growth is expected to gradually return and provide funding for CIPs through higher capacity fees. In 2012, the CIP is also supported by \$5.3 million of the transfers requested above.

With the proposed transfers and rate increases, the District will be able to maintain all reserve levels at or above target levels in the coming fiscal year. These actions are consistent with the debt and reserve policies of the District and will

provide sufficient funds to finance capital improvements for fiscal year 2012.

### **Water Sales**

In the FY 2012 budget process, the District anticipated that water sales would achieve 50% of the 2010 loss. Another 25% is estimated to return in 2013, and the final 25% of 2010 levels will return in 2014. The District's assumptions tie to the CWA assumptions, which acknowledge 2011 to have the coolest July since the 1930's and the 9<sup>th</sup> wettest December since 1850. The 2011 projected water sales are now projected to be 5.3% less than the 2011 budget level. With the last several years of unprecedented rate increases of 19.9% and 10.9%, the greater than expected rainfall, the slow economic recovery, and ongoing conservation messages, the water sales have been impacted more than anticipated.

Due to the substantial investment in recycled water and the water conservation being achieved by Otay customers, the CWA water allocation for the District is well above the anticipated purchases in 2011. With the state and CWA officially coming out of the drought stages, there will no longer be an allocation set for the District.

### **Relative Position to Other Districts**

Annually, the District performs a survey of Otay's rates compared to other water providers in the county. For many years the District has remained in the lower half of this comparison. It is expected that all water providers in the county are facing the same rate pressures purchasing water from CWA and MWD, some to a greater extent than others, depending on the relative dependence on CWA water. Many water districts are looking at implementing rate increases close to 8%. The District's survey, shown in the attached presentation, illustrates that Otay's conserving customer, 10 units; or an average Otay customer, 15 units; will be charged the eighth lowest rates compared to the other 23 agencies in the county.

The 7.7% water rate increase generates an additional \$1.4 million in revenue of which all of the increase is pass-through cost. This is required to offset the \$1.8 million of higher water cost due to rate increases from our suppliers. The District was successful in managing its own internal cost without using any of the 10% internal cost allowed by the District's Proposition 218 notices.

### **Sewer Rates**

While there is a rate increase of 7.5%, as described in the following paragraph, it is significant to note that the overall cost to sewer customers is decreasing. For a typical residential customer, the sewer bill will show an average increase of \$1.95; however, the annual charge on the property tax bill for the repayment of the sewer debt will be eliminated. The final sewer debt payment was made in fiscal year 2011. This annual charge equates to \$4.50 per month, resulting in a net monthly decrease of \$2.55 or 6.8%.

The main reasons for increases in the sewer rate are the increased costs to transport and treat sewer by the City of San Diego - Wastewater Department. This increase totaled \$358,800, of which \$97,800 of this cost is ongoing and \$261,000 will be a one-time expense due to treatment plant upgrades by the District. In addition, the Spring Valley Sanitation District reduced its charge by \$24,800. All of the 7.5% rate increase is due to the increased external costs.

### **Internal Cost Cutting**

In addition to the budget and rate setting process, the District's focus on strategic planning has played a positive role in the financial strength of the District. By managing staffing, automating processes, and implementing Best Management Practices, the District has become more efficient, therefore more cost effective, as demonstrated by its relative rate position among other agencies in the region.

### **Operating Budget**

The proposed Fiscal Year 2011-2012 Budget supports the pass-through of CWA's increases in water costs, effects of reduced water sales, funds the Capital Budget, and maintains the District's financial position. The proposed budget includes a recommended 7.7% rate increase for water and a recommended 7.5% rate increase for sewer. For water customers the Rate Model projects a 7.7% increase for each of the next three years followed by 4.9% increases in the following three years.

### **Rate Implementation - Water**

The 7.7% rate increase is being recommended for both potable and recycled customers. A 6.2% increase in the variable water rate is recommended to all classes of potable customers. The MWD/CWA pass-through fee is proposed to increase 18.5% to collect the fixed costs charged to the District by our water providers. The total of these fixed charges is shown below:

Customer Service Charge	\$1,562,600
Emergency Storage Charge	\$3,585,800
Infrastructure Access Charge	\$1,756,900
Capacity Reservation Charge	\$603,900
Readiness-to-Serve Charge	\$1,488,600
Total MWD/CWA Fixed Charges	\$8,997,800

There will be no increase in the District's system fee of \$14.58 for a single-family residence. The system fee covers a portion of the District's fixed cost to operate and maintain the system. The District has been diligent in reducing costs and increasing efficiency, enabling the District to keep this fee at the same level as last fiscal year. The combination of a significant increase in the MWD/CWA fees and no increase in the District's system fees brings the District's overall fixed revenues close to the 30% maximum recommended by the Best Management Practices (BMP) 11. This maximum is recommended in order to promote conservation. It is important for the District to remain close to this maximum of fixed fees to maintain revenue stability, while at the same time promoting conservation with close to 70% variable revenues.

The same percentage increase of 6.2% is recommended for the variable recycled water rates with no increase on the system fee. Recycled water rates are set at 85% of the potable irrigation rate in accordance with our recycled rebate agreement with CWA.

#### **Rate Implementation - Sewer**

In fiscal year 2011, a 6.8% rate increase was projected based on cost estimates at the time. The recommended rate increase is now 7.5% which is partly due to higher costs from the City of San Diego, but is also due to the addition of \$7.2 million of capital projects over the next five years. Since sewer costs only represent 7% of the total Operating Budget, even relatively small changes in the budget can cause significant fluctuations in the sewer rate.

#### **Budgeted Revenues**

The water revenues, as compared to last year's budget, include an increase in potable water revenues of 2.8% and a modest decrease in recycled water revenues of 2.9%. The potable and recycled sales volume combined are 3.7% lower and the effect of selling water in lower tiers are offset by the prior 10.9% rate increase and the proposed 7.7% rate increase.

The sewer revenues increased 2.9% over last year's budget, again showing the combined effect of lower water consumption and a rate increase of 7.5%.

Other changes in the Operating Revenues include the following:

- Capacity Fee Revenues are expected to decrease by 4.7% due to less work in the planning area.
- Property Tax Revenues are expected to remain relatively flat.
- Property Rentals are expected to increase 11.6% due to two new cell-site leases and agreed upon inflators in the contracts.
- Grant Revenues are expected to decrease 83.3% due to lower fund availability. This reduction is offset by decreases in the incentives budget.

### **Expenses**

In the proposed budget, water costs are projected to increase 9.1% due to the MWD, CWA, and City of San Diego rate increases. The total increase in the variable potable water costs is expected to be \$1,554,400. This is due to the increase in the price component of \$70 per acre-foot. The fixed costs paid to CWA and MWD are projected to increase by \$1,359,200. Recycled water variable costs are expected to decrease by \$73,200. New to this year's budget is the "Take or Pay" component of the agreement with the City of San Diego which is expected to cost the District an additional \$346,100.

Sewer costs are expected to increase by \$333,400 due to increased charges from our service provider, the City of San Diego - Wastewater Department, as well as a decrease by the Spring Valley Sanitation District.

Power costs are budgeted to decrease by \$79,800 or 3.2% due to volume decreases resulting in reduced pumping, partially offset by an anticipated SDG&E rate increase of 3.5% on January 1, 2012.

Labor and benefits costs are expected to increase by 8.2% or \$1,370,200. These changes are due to the following:

- Reduction of FTEs by three resulting in a decrease of \$320,300.
- Cost of living increase of 3.5% and merit increases pursuant to current MOU increase of \$641,300.

- Changes in the vacancy factor along with a vacation and sick leave increase of \$122,900.
- Benefit cost increases of \$882,100, primarily from pension of \$562,700 and medical of \$376,000. The remaining differential includes a workers' compensation credit and other cost changes.
- Decrease of charges to CIP projects shifting costs to the Operating Budget increases cost by \$42,900 for labor and benefits and associated overhead allocation.

The administrative expenses decreased by 12.3% or \$1,020,900. This is due to four main factors:

- Shift in work to CIP of \$142,400 based on the work being performed.
- A decrease in temporary help of \$147,900 for work that was temporary in nature.
- Decreases in outside services of \$195,000 due to studies being completed such as the Urban Water Master Plan and the Water Resource Master Plan, as well as projects being shifted to match the Strategic Plan.
- Decreased conservation incentives of \$178,900 due to the programs being completed by grantors (MWD and CWA). This is offset by a reduction in grant revenue of \$100,000.

Finally, the District reduced non-essential items such as travel, conferences, and services that are not vital to perform in this year.

The materials and maintenance budget experienced an overall increase of 14.1% or \$530,500. The three major factors are:

- Increases in the City of San Diego - Wastewater Department charge of \$358,800, of which \$261,000 is a one-time adjustment resulting from anticipated treatment plant maintenance.
- Increases in chemicals totaling \$106,000.
- Increase in the fuel budget of \$108,500 due to rising fuel costs.

Funding to reserves is decreasing by \$2.5 million as compared to last year. The reduced funding requirement is due to the \$60 million shift in the CIP Budget in the next three years. Engineering staff shifted out the timing of projects to better match the slow economic growth projections. Even with the reduction, funding is needed to keep the Replacement, Expansion,

New Supply and Betterment Reserves on target and to fund CIP projects. This funding will keep reserve levels in compliance with the Reserve Policy. Additionally, the potable general fund is repaying Sewer Reserve in the amount of \$2.3 million for funds borrowed in 2009.

### **Capital Improvement Program (CIP) Budget**

As a component of the annual budget development process, the Engineering staff updates the CIP Budget. This year, the total six-year CIP Budget decreased by \$26.8 million from last year's CIP. This decrease is a result of completing many CIP projects, delays in developer projects, planning efforts enhancing project definition, and increasing emphasis upon water supply projects. The following process is used to prepare the CIP Budget:

- CIP projects selected are based on the Water Resources Master Plan (WRMP), the Urban Water Management Plan (UWMP), Integrated Water Resources Plan (IRP), Sewer System Management Plan (SSMP), and other focused or specific planning documents and reports.
- The CIP goes through an iterative process to meet the criteria of growth, service levels, supply targets, and system requirements.
- CIP target expenditures for the next six years are refined and used in the Rate Model.

The following general criteria are used to determine the reasonableness of a project before it is considered for inclusion within the CIP Budget:

- Existing facility conditions.
- Operating system conditions.
- Water and sewer system deficiencies.
- Regulatory and permitting requirements.
- Developer driven requirements.
- Economic outlook.
- Growth projections.
- Water supply diversification goals.
- Board and management directives.

This year, the CIP Budget includes the following amounts by project category. Project details within each of the categories are located in Attachment D under the Capital Budget tab.

Capital Backbone	\$10.6
Developer Reimbursement	0.9
Replacement and Renewal	9.1
Capital Purchases	2.0
Total (millions)	\$22.6

There are a total of 86 projects in the current six-year CIP plan. Each project is listed in the FY 2011-2012 Preliminary Operating and Capital Budget (Attachment D). The total six-year cost of the 86 projects is \$154.6 million.

**FISCAL IMPACT:**



A six-year rate modeling effort is one of the ways the District can better educate its customers, minimize financial risks, reduce rate impacts, and establish fiscal strength as the District and its customers experience these difficult economic times.

The recommended balanced budget totals \$78.1 million for Operating and \$22.6 for CIP. With budget approval, the District will move forward into the 2012 fiscal year with clear financial direction and strength. An average increase of 7.7% is recommended for water rates and a 7.5% average rate increase is recommended for sewer rates. These increases are recommended for all water and sewer service usage beginning January 1, 2012. This budget, with the recommended transfers, provides sufficient funding to pay increased water costs; continues funding for the District's administration, maintenance, and operations; strengthens our financial position; and is consistent with the Strategic Plan and Reserve Policy.

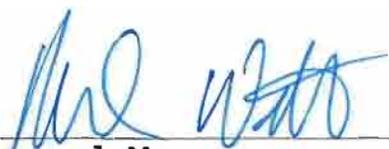
**STRATEGIC OUTLOOK:**

The District ensures its continued financial health through long-term financial planning and debt planning.

**LEGAL IMPACT:**

\_\_\_\_\_

None.



\_\_\_\_\_

**General Manager**

Attachments:

- A) Resolution No. 4173
- B) Ordinance No. 530
  - Exhibit I Strike-through Appendix A
  - Exhibit II Proposed Appendix A
  - Exhibit III Strike-through Section 53
  - Exhibit IV Proposed Section 53
- C) Fiscal Year 2011-2012 Budget Presentation
- D) Preliminary Operating and Capital Budget
- E) Rate Increase Notice - Residential Water
- F) Rate Increase Notice - Residential & Multi-Residential Sewer
- G) Rate Increase Notice - Public and Commercial Water
- H) Rate Increase Notice - Landscape, Agricultural & Construction Water
- I) Rate Increase Notice - Recycled Water
- J) Rate Increase Notice - Commercial Sewer
- K) Rate Increase Notice - Master Metered

RESOLUTION NO. 4173

A RESOLUTION OF THE BOARD OF DIRECTORS OF  
OTAY WATER DISTRICT ADOPTING THE  
FISCAL YEAR 2011-2012  
OPERATING AND CAPITAL BUDGET AND  
THE PROPOSED WATER AND SEWER INCREASES AS  
AMENDED IN APPENDIX A, SCHEDULE OF FEES AND  
CHARGES AND AMENDMENTS TO SECTION 53, FEES,  
RATES, CHARGES AND CONDITIONS FOR SEWER  
SERVICE

WHEREAS, the Otay Water District Board of Directors have been presented with a budget for the operation of the Otay Water District for Fiscal Year 2011-2012; and

WHEREAS, the Operating and Capital Budget has been reviewed and considered by the Board,

WHEREAS, the amended Appendix A with the proposed water and sewer rate increases, as presented in the Fiscal Year 2011-2012 Operating and Capital Budget, have been reviewed and considered by the Board,

WHEREAS, Section 53 of the Code of Ordinances with the proposed changes have been reviewed and considered by the Board and it is in the interest of the District to adopt these changes effective July 1, 2011,

WHEREAS, it is in the interest of the District to adopt a budget for said year; and to adopt the water and sewer rate increases on all billing cycles that begin in calendar year 2012.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Otay Water District that the Operating and Capital Budget for the operation of the District, incorporated herein by reference, is hereby adopted as the District's budget for Fiscal Year 2011-2012.

PASSED, APPROVED AND ADOPTED by the Board of Directors of Otay Water District at a special board meeting held this 16th day of May 2011, by the following vote:

Ayes:  
Noes:  
Abstain:  
Absent:

\_\_\_\_\_

President

ATTEST:

\_\_\_\_\_

District Secretary

ORDINANCE NO. 530

AN ORDINANCE OF THE BOARD OF DIRECTORS  
OF THE OTAY WATER DISTRICT  
AMENDING THE CODE OF ORDINANCES  
SECTION 53, FEES, RATES, CHARGES AND CONDITIONS  
FOR SEWER SERVICE AND  
APPENDIX A, SCHEDULE OF FEES AND CHARGES

BE IT ORDAINED by the Board of Directors of the Otay Water District that Section 53, Fees, Rates, Charges and Conditions for Sewer Service and Appendix A, Schedule of Fees and Charges be amended as per the attached Exhibits I - IV.

NOW, THEREFORE, BE IT RESOLVED that the amendments to the District's Code of Ordinances, Section 53, Fees, Rates, Charges and Conditions for Sewer Service shall become effective July 1, 2011 and Appendix A, Schedule of Fees and Charges, increases for water and sewer rates shall become effective in calendar year 2012.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a special meeting duly held this 16th day of May 2011, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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President

ATTEST:

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District Secretary

Otay Water District  
Appendix A

Section #	Code #	Fee Description	Meter Size	Charges
9	9.04 A.1.	District Annexation Processing Fee		\$709.00
	9.04 B.	Annexation Fees for Annexations into Otay Water District Boundaries		District-wide Annexation Fee
			3/4"	\$1,516.00
			1"	\$3,790.00
			1-1/2"	\$7,580.00
			2"	\$12,128.00
			3"	\$24,256.00
			4"	\$37,900.00
			6"	\$75,800.00
			8"	\$121,280.00
			10"	\$174,340.00
	9.04 C.4.	Annexation Fees for Annexations to Sewer Improvement Districts		\$5,593.00
10	10.01	Filing of Petition		\$50.00
23	23.04	Backflow Certification		
		- Second Notification		\$10.00
		- Third Notification		\$25.00
		- Reconnection (service resumed)		\$50.00
		- Initial Filing Fee (New applicants for addition to the list of approved backflow prevention device testers)		\$25.00
		- Renewal Filing Fee (to remain on list of approved backflow prevention device testers)	Annually	\$10.00
25	25.03 A.	Set-up Fees for Accounts		\$10.00

25	25.03 C.	Monthly Fixed System Charges, MWD & CWA Charges <sup>(1)</sup>	Meter Size	System Charge	MWD & CWA Fixed Charge	Total Fixed Charge
			3/4"	\$14.58	<del>\$11.82</del>	<del>\$26.40</del>
			1"	\$18.52	<del>\$19.60</del>	<del>\$38.21</del>
			1-1/2"	\$28.37	<del>\$39.44</del>	<del>\$67.81</del>
			2"	\$40.18	<del>\$63.07</del>	<del>\$103.25</del>
			3"	\$71.68	<del>\$126.14</del>	<del>\$197.82</del>
			4"	\$107.13	<del>\$197.11</del>	<del>\$304.24</del>
			6"	\$205.59	<del>\$394.17</del>	<del>\$599.76</del>
			8"	\$323.73	<del>\$630.71</del>	<del>\$954.44</del>
			10"	\$461.57	<del>\$903.58</del>	<del>\$1,368.15</del>
25	25.03 E.1.(b)	Domestic Residential Water Rates <sup>(1)</sup>		Unit	Charge	
				0 - 5	<del>\$1.49</del>	
				6-10	<del>\$2.31</del>	
				11-22	<del>\$3.00</del>	
				23 or more	<del>\$4.63</del>	
25	25.03 E.2.(b)	Multiple Residential Water Rates - Per Dwelling Unit <sup>(1)</sup>		0-4	<del>\$2.29</del>	
				5-9	<del>\$2.97</del>	
				10 or more	<del>\$4.57</del>	
25	25.03 E.3.(b)	Business and Publicly-Owned Water Rates <sup>(1)</sup>	under 10"	0-173	<del>\$2.44</del>	
				174-831	<del>\$2.50</del>	
				832 or more	<del>\$2.54</del>	
			10" & larger	0-7,426	<del>\$2.44</del>	
				7,427-14,616	<del>\$2.50</del>	
				14,617 or more	<del>\$2.54</del>	
25	25.03 E.4.(c)	Irrigation and Commercial Agricultural Using Potable Water Rates <sup>(1)</sup>	1" & smaller	0-49	<del>\$3.32</del>	
				50-132	<del>\$3.39</del>	
				133 or more	<del>\$3.45</del>	

<sup>(1)</sup> Water usage effective January 1, 2011 – Water billed beginning February 1, 2011

			1.5" & 2"	0-144	\$3.32		
				145-355	\$3.39		
				356 or more	\$3.45		
			3" & larger	0-1,044	\$3.32		
				1,045-8,067	\$3.39		
				8,068 or more	\$3.45		
25	25.03 E.5.(c)	Recycled Water Rates <sup>(1)</sup>	3/4" - 1"	0-42	\$2.84		
				43-97	\$2.88		
				98 or more	\$2.94		
			1.5" & 2"	0-168	\$2.84		
				169-402	\$2.88		
				403 or more	\$2.94		
			3" & 4"	0-403	\$2.84		
				404-820	\$2.88		
				821 or more	\$2.94		
			6" & larger	0-7,916	\$2.84		
				7,917-16,357	\$2.88		
				16,358 or more	\$2.94		
25	25.03 E.6.(b)	Temporary and Construction Water Service Rates <sup>(1)</sup>	1" & smaller	0-49	\$6.62		
				50-132	\$6.78		
				133 or more	\$6.90		
			1.5" & 2"	0-144	\$6.62		
				145-355	\$6.78		
				356 or more	\$6.90		
			3" & larger	0-1,044	\$6.62		
				1,045-8,067	\$6.78		
				8,068 or more	\$6.90		
<sup>(1)</sup> Water usage effective January 1, 2011 – Water billed beginning February 1, 2011							

25	25.03 E.8.(b)	Tank Trucks Water Rates <sup>(1)</sup>	1" & smaller	0-49	<del>\$6.62</del>		
				50-132	<del>\$6.78</del>		
				133 or more	<del>\$6.90</del>		
			1.5" & 2"	0-144	<del>\$6.62</del>		
				145-355	<del>\$6.78</del>		
				356 or more	<del>\$6.90</del>		
			3" & larger	0-1,044	<del>\$6.62</del>		
				1,045-8,067	<del>\$6.78</del>		
				8,068 or more	<del>\$6.90</del>		
25	25.03 E.9.(c)	Application Fee for Water Service Outside District Boundaries				\$500.00	
25	25.03 E.9.(d)	Water Rate for Service Outside District Boundaries <sup>(1)</sup>	1" & smaller	0-49	<del>\$6.62</del>		
				50-132	<del>\$6.78</del>		
				133 or more	<del>\$6.90</del>		
			1.5" & 2"	0-144	<del>\$6.62</del>		
				145-355	<del>\$6.78</del>		
				356 or more	<del>\$6.90</del>		
			3" & larger	0-1,044	<del>\$6.62</del>		
				1,045-8,067	<del>\$6.78</del>		
				8,068 or more	<del>\$6.90</del>		
25	25.03 E.10.(b)	Application Fee for Water Service Outside an Improvement District				\$275.00	
25	25.03 E.10.(c)	Water Rate for Service Outside Improvement District <sup>(1)</sup>	1" & smaller	0-49	<del>\$6.62</del>		
				50-132	<del>\$6.78</del>		
				133 or more	<del>\$6.90</del>		
			1.5" & 2"	0-144	<del>\$6.62</del>		
				145-355	<del>\$6.78</del>		
				356 or more	<del>\$6.90</del>		

<del>(H) Water usage effective January 1, 2011 – Water billed beginning February 1, 2011</del>							
			3" & larger	0-1,044	<del>\$6.62</del>		
				1,045-8,067	<del>\$6.78</del>		
				8,068 or more	<del>\$6.90</del>		
25	25.03 E.11.(c)	Fire Service Monthly Charge				\$30.11	
25	25.03 E.12.(b)	Additional Water Service for Property Not Subject to District Taxes		per unit		<del>\$0.29</del>	
25	25.03 E.13.(b)	Interim Service Water Rate in Improvement District 7 <sup>(1)</sup>	1" & smaller	0-49	<del>\$6.62</del>		
				50-132	<del>\$6.78</del>		
				133 or more	<del>\$6.90</del>		
			1.5" & 2"	0-144	<del>\$6.62</del>		
				145-355	<del>\$6.78</del>		
				356 or more	<del>\$6.90</del>		
			3" & larger	0-1,044	<del>\$6.62</del>		
				1,045-8,067	<del>\$6.78</del>		
				8,068 or more	<del>\$6.90</del>		
25	25.03 F.	Energy Charges for Pumping Water <sup>(1)</sup>		Per 100 ft of lift over 450 ft per unit		<del>\$0.044</del>	
25	25.03 G.1.	Additional Water Charge for Service in the North District		Per unit charge except for the first 5 units of residential		\$0.08	
25	25.03 H.1.	Additional Water Charges for Service in the Improvement District 9 Water Service Zone		Per unit charge except for the first 5 units of residential		\$0.27	

~~(4) Water usage effective January 1, 2011 – Water billed beginning February 1, 2011~~

25	25.03 H.2.	Additional Monthly System Fee for Improvement District 9			\$2.00	
25	25.03 I.1.(a)	Additional Water Charges for Services in Improvement District 3		Per unit charge except for the first 5 units of residential	<del>0.17 per H.C.F.</del>	<del>Effective Jan 1, 2009</del>
				"	<del>0.18 per H.C.F.</del>	<del>Effective Jan 1, 2010</del>
				"	0.19 per H.C.F.	Effective Jan 1, 2011
				"	0.20 per H.C.F.	Effective Jan 1, 2012
				"	0.21 per H.C.F.	Effective Jan 1, 2013
25	25.03 I.1.(b)	Additional Water Charges for Services in Improvement District 10		Per unit charge except for the first 5 units of residential	<del>0.25 per H.C.F.</del>	<del>Effective Jan 1, 2009</del>
				"	<del>0.26 per H.C.F.</del>	<del>Effective Jan 1, 2010</del>
				"	0.27 per H.C.F.	Jan 1st 2011-2018
25	25.03 I.1.(c)	Additional Water Charges for Services in La Presa		Per unit charge except for the first 5 units of residential	<del>0.07 per H.C.F.</del>	<del>Effective Jan 1st 2008-2010</del>
				"	0.08 per H.C.F.	Effective Jan 1st 2011-2013
25	25.04 A.	Deposits for Non-Property Owners	3/4"		\$75.00	
			1"		\$150.00	
			1-1/2"		\$200.00	
			2"		\$360.00	

			3"	\$800.00		
			4"	\$1,350.00		
			6"	\$3,300.00		
			8"	\$4,400.00		
			10"	\$5,500.00		
28	28.01 B.1.	Capacity Fees and Zone Charge		District-wide Capacity Fee		
		- I.D.'s 1,2,3,5,7,9,10,19,20,22,22/27 (excluding Triad), and 25 (only I.D.'s 5,7,10,19,22, and 22/27 require reclaimed irrigation meters).	3/4"	\$7,697.00		
			1"	\$19,243.00		
			1-1/2"	\$38,485.00		
			2"	\$61,576.00		
			3"	\$123,152.00		
			4"	\$192,425.00		
			6"	\$384,850.00		
			8"	\$615,760.00		
			10"	\$885,155.00		
		- 22/27 TRIAD	3/4"	\$5,760.00		
			1"	\$14,400.00		
			1 -1/2"	\$28,800.00		
			2"	\$46,080.00		
			3"	\$92,160.00		
			4"	\$144,000.00		
			6"	\$288,000.00		
			8"	\$460,800.00		
			10"	\$662,400.00		
28	28.01 B.2.	New Water Supply Fee				
		- All IDs including Triad	3/4"	\$887.00		
			1"	\$2,218.00		
			1-1/2"	\$4,435.00		
			2"	\$7,096.00		
			3"	\$14,192.00		
			4"	\$22,175.00		
			6"	\$44,350.00		
			8"	\$70,960.00		
			10"	\$102,005.00		

28	28.02	Installation Charges for Water Meter and Water Service Laterals	Meter Size	Meter Fee	Meter Box	Installation	Total Fee
			3/4"	\$59.00	\$47.00	\$60.00	\$166.00
			1"	\$117.00	\$47.00	\$60.00	\$224.00
			1-1/2"	\$250.00	\$61.00	\$103.00	\$414.00
			2"	\$475.00	\$61.00	\$240.00	\$776.00
			3"	\$653.00	\$1,770.00	\$300.00	\$2,723.00
			4"	\$1,370.00	\$1,770.00	\$300.00	\$3,440.00
			6"	\$2,500.00	\$1,770.00	\$300.00	\$4,570.00
			8"	\$3,737.00	\$2,760.00	\$300.00	\$6,797.00
			10"	\$5,060.00	\$2,760.00	\$300.00	\$8,120.00
31	31.02 D.1.	Requirement of Temporary Meter for Service		minimum/per day	\$25.00		
31	31.03 A.1.	Requirement of Deposit for Temporary Meters					
			3/4"		\$150.00		
			1"		\$180.00		
			1-1/2"		\$330.00		
			2"		\$2,046.00		
			3"		\$850.00		
			4"		\$1,986.00		
			6"		\$2,465.00		
		- Construction Trailer Temporary Meter	2"		\$2,046.00		
		- Tank Truck Temporary Meter (Ordinance #372)	2"		\$850.00		
31	31.03 A.4.	Temporary Meter Install & Removal			\$128.00		
31	31.03 A.5.	Temporary Meter Move Fee (includes backflow certification)	3/4" - 2"		\$64.00		
			3" and larger	No backflow test	\$64.00		
33	33.07 A.	Customer Request for Meter Test (Deposit)	5/8", 3/4" & 1"		\$25.00		
			1-1/2" & 2"		\$50.00		
			3" & Larger		\$125.00		

34	34.01 D.2.	Returned Check Charges			\$25.00	
34	34.02 B.	Late Payment Charge			5% of Delinquent Balance	
34	34.02 G.1.(d)	Delinquency Tag			\$10.00	
34	34.02 G.3.(a)	Meter "Turn-On" Charge		During regular business hours	\$35.00	
34	34.02 G.3.(b)	Meter "Turn-On" Charge		After regular business hours	\$65.00	
53	53.04 C.1.	Sewer Connection Fee - Russell Square			\$7,500.00	
53	53.04 C.2.	Monthly Sewer Service Charge - Russell Square			\$200.00	
53	53.11 A.	Set-up Fees for Accounts			\$10.00	
53	53.11 B.2.	Residential Sewer Charges <sup>(2)</sup>		Rate multiplied by winter average units	<del>\$1.67</del>	
53	53.11 B.3.	Residential Sewer Charges Base Fee <sup>(2)</sup>	5/8" & 3/4"		<del>\$11.57</del>	
			1" & larger		<del>\$16.87</del>	
53	53.11 B.4.	Monthly Residential Sewer Rate Without Consumption History <sup>(2)</sup>	5/8" & 3/4"		<del>\$39.39</del>	
			1" & larger		<del>\$44.34</del>	
53	53.11.C.4.	Winter Averaging - Sewer				
		- Single Residential			<del>19.68 - 15% discount = 16.73 units</del>	
		- Multi-Residential			<del>8 units - 15% discount = 6.8 units</del>	

53	53.11 D.2.	Multi-Residential Rate Charges - Sewer <sup>(2)</sup>		Rate multiplied by winter average units	\$1.67		
<del><sup>(2)</sup> Sewer Service charges effective January 1, 2011 – Billing charges beginning February 1, 2011</del>							
53	53.11 E.6.	Public Schools Sewer Rate <sup>(2)</sup>		Per ASU (Based on Student Count)	\$39.39		
<del>53</del>	<del>53.11 F.</del>	<del>Sewer State Loan Annual Charge</del>		<del>Per ASUs &amp; Charged on annual tax bills</del>	<del>\$54.00</del>		
53	<del>53.11 G.1.</del>	Monthly Service Charge for Commercial and Institutional Sewer <sup>(2)</sup>		Per ASU	\$39.39		
60	60.03	Issuance of Availability Letters for Water and/or Sewer Service			\$75.00		
72	72.04 A.1.	Locking or Removing Damaged or Tampered Meters					
		- To Pull and Reset Meter	3/4" - 2"		\$170.00		
		- Broken Curbstop or Tabs	3/4" - 1"		\$192.00		
		- If Customer uses Jumper	3/4" - 1"		\$149.00		
		- Broken Lock/Locking Device	3/4" - 1"		\$56.00		
		- Cap Lock (Welded)	3/4" - 1"		\$158.00		
		- Broken Curbstop or Tabs	1.5" - 2"		\$265.00		
		- To Pull and Reset Meter	3"		\$351.00		
		- To Pull and Reset Meter	4"		\$454.00		
		- To Pull and Reset Meter	6"		\$454.00		
		- To Pull and Reset Meter	8"		\$600.00		
		- To Pull and Reset Meter	10"		\$600.00		
72	72.05 D. A.	Type I Fine					
		- First Violation			\$100.00		
		- Second Violations			\$200.00		

		- Third or each additional violation of that same ordinance or requirement within a twelve-month period		\$500.00		
<del>(a) Sewer Service charges effective January 1, 2011 – Billing charges beginning February 1, 2011</del>						
		Type II Fine	Will not exceed per each day the violation is identified or continues.	\$5,000.00		
		Type III Fine	Fine up to amount specified per each day the violation is identified or continues.	\$500.00		
		Type IV Fine	Fine up to amount specified per each day the violation is identified or continues.	\$500.00		
State Water Code	#71630 & Annual Board Resolution #4142	Water Availability/Standby Annual Special Assessment Charge	Less than one-acre all I.D.s & Outside an I.D.	\$10.00		
			Per acre in I.D. 1, 5, & Outside an I.D.	\$10.00		
			Per acre in I.D. 2,3,7,9,10,19,20,22,25,& 27	\$30.00		
			Less than one-acre Outside I.D. and greater than one mile from District facilities.	\$3.00		
			Per acre for outside I.D. & greater than one mile from District facilities.	\$3.00		

State Water Code	#71630 & Annual Board Resolution #4142	Sewer Availability/Standby Annual Special Assessment Charge	Less than one acre I.D. 4, 14, & 18	\$10.00		
			Per acre I.D. 4, 14, & 18	\$30.00		
Annual Board Resolution		General Obligation Bond Annual Tax Assessment	Per \$1000 of assessed value for I.D. 27	\$0.005		
<b>Policies</b>						
5		Copies of Identifiable Public Records		\$0.10/page		
		Cassette Tape Duplication		\$2.00/tape		
		Yearly Subscription Service for Agendas and Ratified Minutes		\$20.00/year or \$0.50/meeting		
		Yearly Subscription Service for Board Packet and Ratified Minutes		\$100.00/year for first copy and \$200.00/year for each copy thereafter		

Otay Water District  
Appendix A

Section #	Code #	Fee Description	Meter Size	Charges
9	9.04 A.1.	District Annexation Processing Fee		\$709.00
	9.04 B.	Annexation Fees for Annexations into Otay Water District Boundaries		District-wide Annexation Fee
			3/4"	\$1,516.00
			1"	\$3,790.00
			1-1/2"	\$7,580.00
			2"	\$12,128.00
			3"	\$24,256.00
			4"	\$37,900.00
			6"	\$75,800.00
			8"	\$121,280.00
			10"	\$174,340.00
	9.04 C.4.	Annexation Fees for Annexations to Sewer Improvement Districts		\$5,593.00
10	10.01	Filing of Petition		\$50.00
23	23.04	Backflow Certification		
		- Second Notification		\$10.00
		- Third Notification		\$25.00
		- Reconnection (service resumed)		\$50.00
		- Initial Filing Fee (New applicants for addition to the list of approved backflow prevention device testers)		\$25.00
		- Renewal Filing Fee (to remain on list of approved backflow prevention device testers)	Annually	\$10.00
25	25.03 A.	Set-up Fees for Accounts		\$10.00

25	25.03 C.	Monthly Fixed System Charges, MWD & CWA Charges <sup>(1)</sup>	Meter Size	System Charge	MWD & CWA Fixed Charge	Total Fixed Charge
			3/4"	\$14.58	\$14.01	\$28.59
			1"	\$18.52	\$23.33	\$41.85
			1-1/2"	\$28.37	\$46.74	\$75.11
			2"	\$40.18	\$74.74	\$114.92
			3"	\$71.68	\$149.48	\$221.16
			4"	\$107.13	\$233.58	\$340.71
			6"	\$205.59	\$467.09	\$672.68
			8"	\$323.73	\$747.39	\$1,071.12
			10"	\$461.57	\$1,070.74	\$1,532.31
25	25.03 E.1.(b)	Domestic Residential Water Rates <sup>(1)</sup>		Unit	Charge	
				0 - 5	\$1.58	
				6-10	\$2.45	
				11-22	\$3.19	
				23 or more	\$4.92	
25	25.03 E.2.(b)	Multiple Residential Water Rates - Per Dwelling Unit <sup>(1)</sup>		0-4	\$2.43	
				5-9	\$3.15	
				10 or more	\$4.85	
25	25.03 E.3.(b)	Business and Publicly-Owned Water Rates <sup>(1)</sup>	under 10"	0-173	\$2.59	
				174-831	\$2.66	
				832 or more	\$2.70	
			10" & larger	0-7,426	\$2.59	
				7,427-14,616	\$2.66	
				14,617 or more	\$2.70	
25	25.03 E.4.(c)	Irrigation and Commercial Agricultural Using Potable Water Rates <sup>(1)</sup>	1" & smaller	0-49	\$3.53	
				50-132	\$3.60	
				133 or more	\$3.66	

<sup>(1)</sup> Water rates on all billing cycles beginning in calendar year 2012

			1.5" & 2"	0-144	\$3.53		
				145-355	\$3.60		
				356 or more	\$3.66		
			3" & larger	0-1,044	\$3.53		
				1,045-8,067	\$3.60		
				8,068 or more	\$3.66		
25	25.03 E.5.(c)	Recycled Water Rates <sup>(1)</sup>	3/4" - 1"	0-42	\$3.02		
				43-97	\$3.06		
				98 or more	\$3.12		
			1.5" & 2"	0-168	\$3.02		
				169-402	\$3.06		
				403 or more	\$3.12		
			3" & 4"	0-403	\$3.02		
				404-820	\$3.06		
				821 or more	\$3.12		
			6" & larger	0-7,916	\$3.02		
				7,917-16,357	\$3.06		
				16,358 or more	\$3.12		
25	25.03 E.6.(b)	Temporary and Construction Water Service Rates <sup>(1)</sup>	1" & smaller	0-49	\$7.06		
				50-132	\$7.20		
				133 or more	\$7.32		
			1.5" & 2"	0-144	\$7.06		
				145-355	\$7.20		
				356 or more	\$7.32		
			3" & larger	0-1,044	\$7.06		
				1,045-8,067	\$7.20		
				8,068 or more	\$7.32		

(1) Water rates on all billing cycles beginning in calendar year 2012

25	25.03 E.8.(b)	Tank Trucks Water Rates <sup>(1)</sup>	1" & smaller	0-49	\$7.06		
				50-132	\$7.20		
				133 or more	\$7.32		
			1.5" & 2"	0-144	\$7.06		
				145-355	\$7.20		
				356 or more	\$7.32		
			3" & larger	0-1,044	\$7.06		
				1,045-8,067	\$7.20		
				8,068 or more	\$7.32		
25	25.03 E.9.(c)	Application Fee for Water Service Outside District Boundaries			\$500.00		
25	25.03 E.9.(d)	Water Rate for Service Outside District Boundaries <sup>(1)</sup>	1" & smaller	0-49	\$7.06		
				50-132	\$7.20		
				133 or more	\$7.32		
			1.5" & 2"	0-144	\$7.06		
				145-355	\$7.20		
				356 or more	\$7.32		
			3" & larger	0-1,044	\$7.06		
				1,045-8,067	\$7.20		
				8,068 or more	\$7.32		
25	25.03 E.10.(b)	Application Fee for Water Service Outside an Improvement District			\$275.00		
25	25.03 E.10.(c)	Water Rate for Service Outside Improvement District <sup>(1)</sup>	1" & smaller	0-49	\$7.06		
				50-132	\$7.20		
				133 or more	\$7.32		
(1) Water rates on all billing cycles beginning in calendar year 2012							

			1.5" & 2"	0-144	\$7.06		
				145-355	\$7.20		
				356 or more	\$7.32		
			3" & larger	0-1,044	\$7.06		
				1,045-8,067	\$7.20		
				8,068 or more	\$7.32		
25	25.03 E.11.(c)	Fire Service Monthly Charge			\$30.11		
25	25.03 E.12.(b)	Additional Water Service for Property Not Subject to District Taxes		per unit	\$0.293		
25	25.03 E.13.(b)	Interim Service Water Rate in Improvement District 7 <sup>(1)</sup>	1" & smaller	0-49	\$7.06		
				50-132	\$7.20		
				133 or more	\$7.32		
			1.5" & 2"	0-144	\$7.06		
				145-355	\$7.20		
				356 or more	\$7.32		
			3" & larger	0-1,044	\$7.06		
				1,045-8,067	\$7.20		
				8,068 or more	\$7.32		
25	25.03 F.	Energy Charges for Pumping Water <sup>(1)</sup>		Per 100 ft of lift over 450 ft per unit	\$0.045		
25	25.03 G.1.	Additional Water Charge for Service in the North District		Per unit charge except for the first 5 units of residential	\$0.08		
(1) Water rates on all billing cycles beginning in calendar year 2012							

25	25.03 H.1.	Additional Water Charges for Service in the Improvement District 9 Water Service Zone		Per unit charge except for the first 5 units of residential	\$0.27	
25	25.03 H.2.	Additional Monthly System Fee for Improvement District 9			\$2.00	
25	25.03 I.1.(a)	Additional Water Charges for Services in Improvement District 3		Per unit charge except for the first 5 units of residential	0.19 per H.C.F.	Effective Jan 1, 2011
				"	0.20 per H.C.F.	Effective Jan 1, 2012
				"	0.21 per H.C.F.	Effective Jan 1, 2013
25	25.03 I.1.(b)	Additional Water Charges for Services in Improvement District 10		Per unit charge except for the first 5 units of residential	0.27 per H.C.F.	Effective Jan 1st 2011-2018
25	25.03 I.1.(c)	Additional Water Charges for Services in La Presa		Per unit charge except for the first 5 units of residential	0.08 per H.C.F.	Effective Jan 1st 2011-2013
25	25.04 A.	Deposits for Non-Property Owners	3/4"		\$75.00	
			1"		\$150.00	
			1-1/2"		\$200.00	
			2"		\$360.00	
			3"		\$800.00	
			4"		\$1,350.00	
			6"		\$3,300.00	
			8"		\$4,400.00	
			10"		\$5,500.00	

28	28.01 B.1.	Capacity Fees and Zone Charge			District-wide Capacity Fee		
		- I.D.'s 1,2,3,5,7,9,10,19,20,22,22/27 (excluding Triad), and 25 (only I.D.'s 5,7,10,19,22, and 22/27 require reclaimed irrigation meters).	3/4"		\$7,697.00		
			1"		\$19,243.00		
			1-1/2"		\$38,485.00		
			2"		\$61,576.00		
			3"		\$123,152.00		
			4"		\$192,425.00		
			6"		\$384,850.00		
			8"		\$615,760.00		
			10"		\$885,155.00		
		- 22/27 TRIAD	3/4"		\$5,760.00		
			1"		\$14,400.00		
			1 -1/2"		\$28,800.00		
			2"		\$46,080.00		
			3"		\$92,160.00		
			4"		\$144,000.00		
			6"		\$288,000.00		
			8"		\$460,800.00		
			10"		\$662,400.00		
28	28.01 B.2.	New Water Supply Fee					
		- All IDs including Triad	3/4"		\$887.00		
			1"		\$2,218.00		
			1-1/2"		\$4,435.00		
			2"		\$7,096.00		
			3"		\$14,192.00		
			4"		\$22,175.00		
			6"		\$44,350.00		
			8"		\$70,960.00		
			10"		\$102,005.00		
28	28.02	Installation Charges for Water Meter and Water Service Laterals	Meter Size	Meter Fee	Meter Box	Installation	Total Fee
			3/4"	\$59.00	\$47.00	\$60.00	\$166.00
			1"	\$117.00	\$47.00	\$60.00	\$224.00
			1-1/2"	\$250.00	\$61.00	\$103.00	\$414.00
			2"	\$475.00	\$61.00	\$240.00	\$776.00

			3"	\$653.00	\$1,770.00	\$300.00	\$2,723.00
			4"	\$1,370.00	\$1,770.00	\$300.00	\$3,440.00
			6"	\$2,500.00	\$1,770.00	\$300.00	\$4,570.00
			8"	\$3,737.00	\$2,760.00	\$300.00	\$6,797.00
			10"	\$5,060.00	\$2,760.00	\$300.00	\$8,120.00
31	31.02 D.1.	Requirement of Temporary Meter for Service			minimum/per day	\$25.00	
31	31.03 A.1.	Requirement of Deposit for Temporary Meters					
			3/4"			\$150.00	
			1"			\$180.00	
			1-1/2"			\$330.00	
			2"			\$2,046.00	
			3"			\$850.00	
			4"			\$1,986.00	
			6"			\$2,465.00	
		- Construction Trailer Temporary Meter	2"			\$2,046.00	
		- Tank Truck Temporary Meter (Ordinance #372)	2"			\$850.00	
31	31.03 A.4.	Temporary Meter Install & Removal				\$128.00	
31	31.03 A.5.	Temporary Meter Move Fee (includes backflow certification)	3/4" - 2"			\$64.00	
			3" and larger	No backflow test		\$64.00	
33	33.07 A.	Customer Request for Meter Test (Deposit)	5/8", 3/4" & 1"			\$25.00	
			1-1/2" & 2"			\$50.00	
			3" & Larger			\$125.00	
34	34.01 D.2.	Returned Check Charges				\$25.00	
34	34.02 B.	Late Payment Charge				5% of Delinquent Balance	
34	34.02 G.1.(d)	Delinquency Tag				\$10.00	

34	34.02 G.3.(a)	Meter "Turn-On" Charge		During regular business hours	\$35.00		
34	34.02 G.3.(b)	Meter "Turn-On" Charge		After regular business hours	\$65.00		
53	53.04 C.1.	Sewer Connection Fee - Russell Square			\$7,500.00		
53	53.04 C.2.	Monthly Sewer Service Charge - Russell Square			\$200.00		
53	53.11 A.	Set-up Fees for Accounts			\$10.00		
53	53.11 B.2.	Residential Sewer Charges <sup>(2)</sup>		Rate multiplied by winter average units	\$1.77		
53	53.11 B.3.	Residential Sewer Charges Base Fee <sup>(2)</sup>	5/8" & 3/4"		\$12.26		
			1" & larger		\$17.88		
53	53.11 B.4.	Monthly Residential Sewer Rate Without Consumption History <sup>(2)</sup>	5/8" & 3/4"		\$41.75		
			1" & larger		\$47.00		
53	53.11.C.4.	Winter Averaging - Sewer					
		- Single Residential		15 units - 15% discount = 12.75 units			
		- Multi-Residential		6 units - 15% discount = 5.1 units			
53	53.11 D.2.	Multi-Residential Rate Charges - Sewer <sup>(2)</sup>		Rate multiplied by winter average units	\$1.77		
53	53.11 E.6.	Public Schools Sewer Rate <sup>(2)</sup>		Per ASU (Based on Student Count)	\$41.75		
<sup>(2)</sup> Sewer rates on all billing cycles beginning in calendar year 2012							

53	53.11 F.1.	Monthly Service Charge for Commercial and Institutional Sewer <sup>(2)</sup>		Per ASU	\$41.75		
60	60.03	Issuance of Availability Letters for Water and/or Sewer Service			\$75.00		
72	72.04 A.1.	Locking or Removing Damaged or Tampered Meters					
		- To Pull and Reset Meter	3/4" - 2"		\$170.00		
		- Broken Curbstop or Tabs	3/4" - 1"		\$192.00		
		- If Customer uses Jumper	3/4" - 1"		\$149.00		
		- Broken Lock/Locking Device	3/4" - 1"		\$56.00		
		- Cap Lock (Welded)	3/4" - 1"		\$158.00		
		- Broken Curbstop or Tabs	1.5" - 2"		\$265.00		
		- To Pull and Reset Meter	3"		\$351.00		
		- To Pull and Reset Meter	4"		\$454.00		
		- To Pull and Reset Meter	6"		\$454.00		
		- To Pull and Reset Meter	8"		\$600.00		
		- To Pull and Reset Meter	10"		\$600.00		
72	72.05 D. A.	Type I Fine					
		- First Violation			\$100.00		
		- Second Violations			\$200.00		
		- Third or each additional violation of that same ordinance or requirement within a twelve-month period			\$500.00		
		Type II Fine	Will not exceed per each day the violation is identified or continues.		\$5,000.00		
		Type III Fine	Fine up to amount specified per each day the violation is identified or continues.		\$500.00		

(2) Sewer rates on all billing cycles beginning in calendar year 2012

		Type IV Fine	Fine up to amount specified per each day the violation is identified or continues.	\$500.00		
State Water Code	#71630 & Annual Board Resolution #4142	Water Availability/Standby Annual Special Assessment Charge	Less than one-acre all I.D.s & Outside an I.D.	\$10.00		
			Per acre in I.D. 1, 5, & Outside an I.D.	\$10.00		
			Per acre in I.D. 2,3,7,9,10,19,20,22,25,& 27	\$30.00		
			Less than one-acre Outside I.D. and greater than one mile from District facilities.	\$3.00		
			Per acre for outside I.D. & greater than one mile from District facilities.	\$3.00		
State Water Code	#71630 & Annual Board Resolution #4142	Sewer Availability/Standby Annual Special Assessment Charge	Less than one acre I.D. 4, 14, & 18	\$10.00		
			Per acre I.D. 4, 14, & 18	\$30.00		
Annual Board Resolution		General Obligation Bond Annual Tax Assessment	Per \$1000 of assessed value for I.D. 27	\$0.005		
<b><u>Policies</u></b>						
5		Copies of Identifiable Public Records		\$0.10/page		
		Cassette Tape Duplication		\$2.00/tape		

		Yearly Subscription Service for Agendas and Ratified Minutes		\$20.00/year or \$0.50/meeting		
		Yearly Subscription Service for Board Packet and Ratified Minutes		\$100.00/year for first copy and \$200.00/year for each copy thereafter		

SECTION 53 FEEES, RATES, CHARGES AND CONDITIONS FOR SEWER SERVICE

53.01 CONDITIONS FOR ACQUISITION OF SEWER SERVICE CAPACITY

Sewer service capacity may be acquired only for service to a specific address, parcel of land, or a land development project covered by an approved map. An approved map shall mean a recorded final map, a recorded parcel map or a tentative subdivision map that has been approved by the County or by a City, as applicable.

53.02 SERVICE AREAS

- A. Service Areas. Sewer service shall be furnished by the District only to property located in Improvement District No. 14 ("I.D. 14"), Improvement District No. 18 ("I.D. 18"), and Assessment District No. 4 ("A.D. 4"), and the Russell Square Sewer Service Area. Sewer service to property located outside such areas may be furnished only upon annexation to ID 18 and payment of all applicable annexation fees.

53.03 ACQUISITION OF SEWER CONNECTIONS FOR SERVICE IN I.D. 14, I.D. 18 AND A.D. 4

- A. There shall be no connection capacity fee for sewer service to parcels already annexed into Improvement District No. 14, Improvement District No. 18 and Assessment District No. 4 on or after December 16, 1998.

53.04 ACQUISITION AND PURCHASE OF SEWER CAPACITY FOR SERVICE IN THE RUSSELL SQUARE SEWER SERVICE AREA

- A. District Acceptance of Sewer Facilities for Russell Square Area. Under an Agreement with Cal Dorado Development, Inc., dated June 28, 1981, the District accepted title to a sewer pump station, force main and appurtenances for a sewage system to provide sewer service to the residential dwelling units to be constructed within the parcels of land in San Diego County Tentative Parcel Map 17150. Under an Agreement with Cal Dorado Development, Inc., dated June 18, 1981, the District agreed to provide service to such parcels on the terms and conditions contained therein. On October 1, 1984, pursuant to Resolution No. 2139, the District Board of Directors accepted title to the facilities.

B. Designation of Russell Square Sewer Area. The geographical area described on the District Map entitled "Russell Square Sewer Service Area," dated October 11, 1988, on file with the District Secretary, constitutes the Russell Square Sewer Service Area.

C. Connection Fees for Connections for Sewer Service through the Russell Square Sewer Pump Station.

1. Sewer Connection Fee

A connection fee (see Appendix A, 53.04 C.1. for fee) for each EDU of sewer service provided through Russell Square Pump Station shall be collected. The connection fee is due at the time an application for sewer service is submitted. The number of EDUs for the connection shall be as set forth in Section 53.09 of the Code. Since the Russell Square Pump Station and force main were constructed by the developer or his assignee, at their expense, for the purpose of providing service to the parcels within Tentative Parcel Map 17150, the connection fee shall not apply to connections for sewer service to the parcels within said map. Such exempt parcels are currently identified as Assessor Parcel Nos. 497-011-41, 497-011-42, 497-011-44, 497-011-46 and 497-011-47.

2. Monthly Sewer Service Charge

A monthly sewer service charge (see Appendix A, 53.04 C.2. for charge) to cover normal operational costs of the Russell Square Pump Station and force mains shall be collected. This charge shall be reviewed by the Board of Directors from time to time to assure that such charges cover the costs for operation of the sewer facilities.

3. The proceeds of the fees and charges received by the District under 1 and 2 above shall be used by the District solely for maintenance, replacement or repair under C.1. above and for the operation of the facilities under C.2. above.

4. In addition, the customer for such service shall pay the monthly service charge for sewer service set forth in Section 53.11.

53.05 CHARGES FOR INSTALLATION OF SEWER LATERALS

Upon application for construction of one or more sewer laterals, the customer shall deposit with the District the estimated costs to be incurred by the District in connection with the installation of the facilities required, as determined by the District. Upon completion of the work, the District shall calculate the actual costs incurred by the District in performing the work. If actual costs are less than the amount deposited, the District shall refund the balance of the deposit to the customer. If actual costs exceed the amount deposited, the customer shall reimburse the District for the additional costs.

53.06 PAYMENT OF FEES

All fees prescribed in the Code shall become owing, due and payable at the time application is made to connect a premise to the sewer system of the District. The fees shall be paid to the District prior to the issuance of any permit authorizing the connection of such premise to the District sewer system. If the proposed connection cannot be made, the fee may be refunded when approved by the General Manager.

53.07 SEWER SERVICE USE CHANGES RESULTING IN INCREASED SYSTEM UTILIZATION

The use of a sewer connection shall be limited to the type and number of EDUs authorized by the original wastewater discharge permit. Before adding any additional equivalent dwelling units, buildings, modifying existing buildings, or change of occupancy type, the property owner shall make a supplementary wastewater permit application to the District for such change in use and pay additional sewer annexation fees per EDU, if necessary, as may be applicable. Periodic inspection of the premises may be made by the District and if actual use is greater than estimated use, an assessment for additional annexation fees shall be assessed in accordance with the fee schedule in the then current Code of Ordinances.

53.08 WASTEWATER DISCHARGE PERMIT ISSUANCE AND LIMITATION

1. A wastewater discharge permit shall be required for any property for which a request is made to discharge into the District sewage system.

2. Every wastewater discharge permit shall expire by limitations and shall become null and void, if the construction or work authorized by such permit is not commenced within 120 days from date of issuance of such wastewater discharge permit or if the construction or work authorized by such wastewater discharge permit is suspended or abandoned for a period of 120 days at any time after the work is commenced.
  
3. Before such work can be recommenced, a new wastewater discharge permit application must be filed with the District. The District may reactivate the previous wastewater discharge permit provided that wastewater quantity and type is the same as the wastewater discharge allowed under the original permit, and provided further that such suspension and abandonment has not exceeded one year. Fees paid for the previous wastewater discharge permit may be credited toward the total permit fees required on the new permit application. Reactivation of the previous wastewater discharge permit shall be subject to District sewer capacity being available at the time of new application and subject to any additional costs or charges imposed during the period of such suspension or abandonment.

53.09 BASIS FOR DETERMINATION OF EDUs

1. The number of EDUs for sewer service shall be determined on the following basis:

a) <u>Residential Facilities</u>	EDUs
1) Single-Family Residence (Includes manufactured homes, and mobile homes which are on private lots	1.0
A secondary structure with a kitchen is considered an additional EDU	
2) Apartments and Multiple Family Housing Each individual living unit	1.0
3) Residential condominiums Each individual living unit	1.0
4) Mobile Home and Trailer Parks Per each individual space	1.0

b)	<u>Commercial/Industrial Facilities</u>	
1)	Food Service Establishments	
	a) Take-out restaurants with disposable utensils, no dishwasher and no public restrooms	3.0
	b) Miscellaneous food establishments - ice cream/yogurt shops, bakeries (sales on premise only)	3.0
	c) 1) Take-out/eat-in restaurants with disposable utensils, but with seating and public restrooms	3.0
	2) Restaurants with reuseable utensils, seating and public restrooms (0-18 seats)	3.0
	Each additional 6 seat unit, or portion thereof	1.0
2)	<u>Hotels and Motels</u>	
	a) Per living unit without kitchen	0.38
	b) Per living unit with kitchen	0.60
3)	<u>Commercial, Professional, Industrial Buildings, Establishments not specifically listed herein</u>	
	a) Any office, store or industrial condominium or establishments. first 1,000 sq. ft.	1.2
	Each additional 1,000 sq. ft. or portion thereof	0.7
	b) Where occupancy type or usage is unknown at the time of application for service, the following EDUs shall apply. This shall include, but not be limited to, shopping centers, industrial parks and professional office buildings.	

	First 1,000 sq. ft. of gross building floor area	1.2
	Each additional 1,000 square feet of gross building floor area. Portions less than 1,000 sq. ft. will be prorated.	0.7
4)	<u>Self-service laundry per washer</u>	1.0
5)	<u>Churches, theaters and auditoriums</u> per each 150 person seating capacity or any fraction thereof. (Does not include office spaces, schoolrooms, day-care facilities, food preparation areas, etc. Additional EDUs will be assigned for these supplementary uses).	1.5
6)	<u>Schools</u>	
	a) Elementary Schools - For each 50 pupils or fraction thereof	1.0
	b) Junior High Schools - For each 40 pupils or fraction thereof	1.0
	c) High Schools, Colleges and Universities - For each 24 pupils or fraction thereof	1.0

Additional EDUs will be prorated based on above values.

The number of pupils shall be based on the average daily attendance of pupils at the school during the preceding fiscal year, computed in accordance with the education code of the State of California. However, where the school has had no attendance during the preceding fiscal year, the General Manager shall estimate the average daily attendance for the fiscal year for which the fee is to be paid and compute the fee based on such estimate.

7) Convalescent Homes

- a) Skilled nursing care facilities, psychological hospitals, convalescent hospitals; licensed by the Department of Health. 0.7/bed
- b) Community Care Facilities with 16 or more beds licensed by the State Department of Health. 0.5/bed
- c) Small Community Care Facilities with 7 to 15 beds licensed by the County Department of Social Services 0.5/bed
- d) Community Care Homes with six or fewer total residents, including resident staff and housekeepers (to be the same EDU as a single-family residence). 1.0

8) Other

In the case of commercial, industrial and other business establishments such as bottling works, supermarkets, markets, deli/markets, convenience stores, hospitals, laundries (other than self-service laundries), automobile service stations, mortuaries, day-care centers, bars, pool halls, and other establishments not included in items 1) through 7) inclusive, or when the EDUs specified in items 1) through 7) are not representative of actual flow due to the number of employees or type of operation, the number of equivalent dwelling units shall be determined in each case by the General Manager and shall be based upon the estimated volume and type of wastewater discharge into the sewer.

53.10 TRANSFER, ASSIGNMENT, OR RESALE OF SEWER CONNECTION RIGHTS

EDU sewer connection rights obtained by a customer may not be sold, transferred, or assigned separately from ownership of the real property for which they were obtained, unless otherwise stated in an agreement with the District.

53.11 SEWER SERVICE RATES AND CHARGES

A. Set-up Fees for Accounts. A set-up fee (see Appendix A, 53.11 A. for fee) shall be charged for each account transferred to another customer.

B. Residential Sewer Charges.

Five-year Rate Increase Schedule - All District sewer rates, charges, and fees are subject to a five-year schedule of rate increases beginning September 1, 2009 and periodically thereafter through June 30, 2014. The increases under this schedule shall be the amount sufficient to cover cost increases related to operation and maintenance, but not to exceed 10% per year.

Five-year Periodic Pass-through Rate Increases or Decreases from District Wholesalers - All District sewer rates, charges, and fees are subject to periodic rate changes from the District's public agency wholesalers for a five-year period beginning September 1, 2009 through June 30, 2014.

(1) Winter Average Determination. Sewer service usage fee shall be based on the "Winter Average" water consumption, measured in units of hundred cubic feet (HCF). The winter average period is January through April. The winter average is calculated by adding the four months of water consumption for the preceding winter and dividing the resulting amount by four. This average is then reduced by a 15% usage discount, recognizing that not all water used flows into the sewer system, to determine the "Winter Average" for billing purposes.

(2) Usage Fee. The usage fee rate (see Appendix A, 53.11 B.2. for rate) is multiplied by the "Winter Average" calculation for each customer (after the above noted 15% discount) and the resulting amount is added to the Fixed Service

Charge applicable to the size of meter. The resulting fixed fee shall be charged on a monthly basis for an entire calendar year, until a new "Winter Average" is determined for the following year.

- (3) Base Fee. The monthly base fee per meter size is set forth in Appendix A, 53.11 B.3.
- (4) Monthly Residential Sewer Rate without Consumption History. The average residential sewer charge shall be determined by calculating the total usage fee for all residential customers and dividing by the number of residential customers. Then the monthly base fee for a 3/4 inch meter is added to this average fee and this shall be used to determine the rate per ASU to be used for commercial customers. The monthly residential sewer rate without consumption history is as set forth in Appendix A, 53.11 B.4.

C. Single Residential Winter Averaging

- (1) Defined as: Sewer service for individually metered residential households.
- (2) The monthly sewer bill is calculated by adding the base fee plus the usage fee as described in 5.11.B.(1), (2), & (3) above.
- (3) The maximum "Winter Average" for individually metered residential customers is 30 units (after the 15% discount).
- (4) Residential Service without Consumption History. Sewer service for new accounts with no prior winter consumption, customers using well water or other unmetered water shall be assigned a "Winter Average" for single individually metered households. See Appendix A, 53.11 C.4. for Winter Averaging fees.

D. Multi-Residential Rate Charges

- (1) Defined as: Sewer service for master metered water service for multiple-residential households including for example; duplex, townhomes, apartments, and mobile homes.
- (2) The monthly sewer bill for the complex is calculated by adding a 3/4 inch base fee (as set forth in Appendix A, 53.11.B.3.) times the number of units in the complex plus the usage

fee (as set forth in Appendix A, 53.11.D.2.) for the entire complex. (Note: There is no cap on consumption for the multi-residential customers.)

- (3) New complexes that do not have a prior winter consumption history to determine their monthly usage fee shall be assigned a "Winter Average" for each multiple-residential unit in a master metered residential complex. See Appendix A, 53.11 C.4. for Winter Averaging fees.

E. Commercial Sewer Charges

- (1) ASU Determination: The charges for commercial sewer service shall be based on the rate of discharge and the strength of sewage. The Board of Directors may adjust the charges in proportion to the amount of water not entering the sewer which is substantiated by the property owner or discharger.
- (2) The strength of sewage is based on its biochemical oxygen demand (BOD) and the cost of removing suspended solids (SS).
- (3) The formula is derived by taking the total cost of providing sewer service and charging each user for a pro-rata share.
- (4) The State Revenue Program Guidelines require use of an "Assigned Service Unit Assignment Formula" which converts higher strength uses into a service unit value which is comparable to the use impact of a single-family residential user or equivalent dwelling unit. The formula for determining an Assigned Service Unit (ASU) for a single-family dwelling is set forth in the annual budget, which is incorporated herein by reference.
- (5) The formula is based on an estimated daily flow of 250 gallons per day plus 280 milligrams per liter of BOD and 234 milligrams per liter of SS for a residential equivalent dwelling unit.
- (6) For commercial users the flow is based on 85% of their prior 12-month water consumption to reflect the amount of water that returns to the system. The basis for determining estimated flow for unmetered water will be calculated on the demand imposed on the water system. The strength of discharge for commercial user is based on whether

it is classified as a low-strength, medium-strength or high-strength user.

### User Classification

#### Low-Strength Commercial = 1.000 Strength Factor

Car wash  
General office and buildings  
Barber and beauty shops  
Department, retail stores and general commercial  
Hospitals and convalescent homes  
Laundromat, laundry and dry cleaners  
Professional office or office building  
Warehouse  
Other uses having a similar strength as determined by the District

#### Medium-Strength Commercial = 1.238 Strength Factor

Bars without dining facilities  
Bowling alley  
Hotels without dining facilities or cooking facilities  
Auto repair/sales shop and service station  
Shopping centers  
Other uses having a similar strength as determined by the District

#### High-Strength Commercial = 2.203 Strength Factor

Bakery or bakery with deli  
Hotel with dining facilities  
Restaurants and bars with food  
Supermarkets  
Other uses having a similar strength as determined by the District

#### Institutional = 1.000 Strength Factor

Churches: Treated the same as Low-Strength Commercial.

Schools: For public schools flow is based on average daily attendance ("ADA") for the prior school year, including summer school, as reported by schools to meet state requirements. Private schools will be required to file a report verifying their attendance. For elementary schools 50 students shall equal 1 ASU. For junior high schools 40 students shall equal 1 ASU and for high schools 24 students

equals 1 ASU. The formula for schools shall be the same as applies to single-family residential. For charges see Appendix A, 53.11 E.6.

Colleges: For colleges, flow is based on the number of Certificated and Classified Staff, and students enrolled in each school session (spring, summer, and fall):

$$\begin{aligned} \text{Gallons per day (GPD)} &= \text{no. of students and staff} \times \\ &\quad \text{no. of weeks spring} \\ &\quad \text{session)} \\ &+ \quad \text{(no. of students and staff} \\ &\quad \text{x no. of weeks summer} \\ &\quad \text{session)} \\ &+ \quad \text{(no. of students and staff} \\ &\quad \text{x no. of weeks fall} \\ &\quad \text{session)} \\ &+ \quad \text{(no. of staff x no. of non-} \\ &\quad \text{session weeks)} \\ &\times \quad 23 \div 52 \end{aligned}$$

$$\begin{aligned} \text{ASU} &= \text{Daily Flow} \times \text{Strength Factor} \\ &= [(\text{GPD} \times 85\%) \div 250] \times 1.000 \end{aligned}$$

The minimum charge for commercial shall be no lower than 1 ASU at low strength. Charges are determined each fiscal year. The formula is set forth in the annual budget, which is incorporated herein by reference.

~~F. Charges to Cover the State Loan Program for the Treatment Facility. A (see Appendix A, 53.11 F. for fee) fee per ASU shall be attached to the property tax bills to cover the annual payment on the \$5,000,000 state loan until such loan is paid in full.~~

GF. Monthly Service Charges for Commercial Sewer Service. The Monthly Sewer Service charges for service furnished by the District, shall be:

1. Commercial and Institutional (per ASU)  
Commercial users shall be charged based upon the ASUs derived in Section 53.11 E.(4). For charges see Appendix A, 53.11.GF.1.

2. Industrial and Other Users  
Charges determined by the Board of Directors on a case-by-case basis.

Monthly sewer service charges shall commence upon installation of the water meter to serve the premises receiving the sewer service, upon connection to the District sewer system, upon start of occupancy of the premises to be served, or one year after the date the application for sewer service is filed, whichever is earlier. If a sewer service connection has been obtained and if sewer service will not be used until some time after installation of the water meter, commencement of the sewer service charge may be deferred until the later date only upon prior approval of the General Manager.

#### H. Issuance and Payment of Sewer Bills

1. Issuance of Statements: Statements for sewer service or other charges will be mailed monthly or as soon as practical, after the applicable charges have been determined.
2. Due Date: Each statement issued by the District for such charges shall be due and payable on the date of mailing or other presentation to the customer.
3. Final Payment Date: All charges in each statement must be paid on or before the final payment date shown on the statement, which shall be at least 20 calendar days following the date of mailing or presentation of the statement.
4. Place of Payment: Payments shall not be credited to a customer's account until cash, check, credit card, draft, electronic funds transfer, money order or any other acceptable form of payment that will be honored by the bank has been received by the District at the District business office during regular office hours. Deposit of payment in the mail or at a location other than the District business office shall not be credited to a customer's account until received at the business office.
5. Returned Check Charges: A returned payment charge (see Appendix A, 34.01 D.2 for charge) shall be added to a customer's account in each instance where payment has been made to the

District with a check, draft, credit card or any other acceptable form of payment that has not been honored upon presentment to the bank upon which it is drawn.

I. Delinquent Accounts

1. Requirement of Deposit Due to Repeated Delinquencies: If payments on a customer account have become delinquent five or more times, the General Manager, Chief Financial Officer, or any person delegated by the General Manager, shall be authorized to require the customer to make a deposit with the District, in cash or any other form satisfactory to the General Manager. The deposit amount shall be established at the discretion of the General Manager and the Chief Financial Officer, but shall not exceed two times the highest bill during the twelve (12) months preceding the date of demand for a deposit.
2. Handling of Deposit: A deposit shall not earn interest and shall only be applied to reduce or satisfy amounts due the District in the event of termination of service. A deposit does not constitute payment for service bills and the customer shall be required to comply with bill payment requirements to continue receiving service.
3. Refund of Deposit: A deposit required under this Section shall be refunded to the customer as provided in Section 25.04 B.

SECTION 53      FEES, RATES, CHARGES AND CONDITIONS FOR SEWER SERVICE53.01      CONDITIONS FOR ACQUISITION OF SEWER SERVICE CAPACITY

Sewer service capacity may be acquired only for service to a specific address, parcel of land, or a land development project covered by an approved map. An approved map shall mean a recorded final map, a recorded parcel map or a tentative subdivision map that has been approved by the County or by a City, as applicable.

53.02      SERVICE AREAS

- A. Service Areas. Sewer service shall be furnished by the District only to property located in Improvement District No. 14 ("I.D. 14"), Improvement District No. 18 ("I.D. 18"), and Assessment District No. 4 ("A.D. 4"), and the Russell Square Sewer Service Area. Sewer service to property located outside such areas may be furnished only upon annexation to ID 18 and payment of all applicable annexation fees.

53.03      ACQUISITION OF SEWER CONNECTIONS FOR SERVICE IN I.D. 14, I.D. 18 AND A.D. 4

- A. There shall be no connection capacity fee for sewer service to parcels already annexed into Improvement District No. 14, Improvement District No. 18 and Assessment District No. 4 on or after December 16, 1998.

53.04      ACQUISITION AND PURCHASE OF SEWER CAPACITY FOR SERVICE IN THE RUSSELL SQUARE SEWER SERVICE AREA

- A. District Acceptance of Sewer Facilities for Russell Square Area. Under an Agreement with Cal Dorado Development, Inc., dated June 28, 1981, the District accepted title to a sewer pump station, force main and appurtenances for a sewage system to provide sewer service to the residential dwelling units to be constructed within the parcels of land in San Diego County Tentative Parcel Map 17150. Under an Agreement with Cal Dorado Development, Inc., dated June 18, 1981, the District agreed to provide service to such parcels on the terms and conditions contained therein. On October 1, 1984, pursuant to Resolution No. 2139, the District Board of Directors accepted title to the facilities.

B. Designation of Russell Square Sewer Area. The geographical area described on the District Map entitled "Russell Square Sewer Service Area," dated October 11, 1988, on file with the District Secretary, constitutes the Russell Square Sewer Service Area.

C. Connection Fees for Connections for Sewer Service through the Russell Square Sewer Pump Station.

1. Sewer Connection Fee

A connection fee (see Appendix A, 53.04 C.1. for fee) for each EDU of sewer service provided through Russell Square Pump Station shall be collected. The connection fee is due at the time an application for sewer service is submitted. The number of EDUs for the connection shall be as set forth in Section 53.09 of the Code. Since the Russell Square Pump Station and force main were constructed by the developer or his assignee, at their expense, for the purpose of providing service to the parcels within Tentative Parcel Map 17150, the connection fee shall not apply to connections for sewer service to the parcels within said map. Such exempt parcels are currently identified as Assessor Parcel Nos. 497-011-41, 497-011-42, 497-011-44, 497-011-46 and 497-011-47.

2. Monthly Sewer Service Charge

A monthly sewer service charge (see Appendix A, 53.04 C.2. for charge) to cover normal operational costs of the Russell Square Pump Station and force mains shall be collected. This charge shall be reviewed by the Board of Directors from time to time to assure that such charges cover the costs for operation of the sewer facilities.

3. The proceeds of the fees and charges received by the District under 1 and 2 above shall be used by the District solely for maintenance, replacement or repair under C.1. above and for the operation of the facilities under C.2. above.

4. In addition, the customer for such service shall pay the monthly service charge for sewer service set forth in Section 53.11.

53.05 CHARGES FOR INSTALLATION OF SEWER LATERALS

Upon application for construction of one or more sewer laterals, the customer shall deposit with the District the estimated costs to be incurred by the District in connection with the installation of the facilities required, as determined by the District. Upon completion of the work, the District shall calculate the actual costs incurred by the District in performing the work. If actual costs are less than the amount deposited, the District shall refund the balance of the deposit to the customer. If actual costs exceed the amount deposited, the customer shall reimburse the District for the additional costs.

53.06 PAYMENT OF FEES

All fees prescribed in the Code shall become owing, due and payable at the time application is made to connect a premise to the sewer system of the District. The fees shall be paid to the District prior to the issuance of any permit authorizing the connection of such premise to the District sewer system. If the proposed connection cannot be made, the fee may be refunded when approved by the General Manager.

53.07 SEWER SERVICE USE CHANGES RESULTING IN INCREASED SYSTEM UTILIZATION

The use of a sewer connection shall be limited to the type and number of EDUs authorized by the original wastewater discharge permit. Before adding any additional equivalent dwelling units, buildings, modifying existing buildings, or change of occupancy type, the property owner shall make a supplementary wastewater permit application to the District for such change in use and pay additional sewer annexation fees per EDU, if necessary, as may be applicable. Periodic inspection of the premises may be made by the District and if actual use is greater than estimated use, an assessment for additional annexation fees shall be assessed in accordance with the fee schedule in the then current Code of Ordinances.

53.08 WASTEWATER DISCHARGE PERMIT ISSUANCE AND LIMITATION

1. A wastewater discharge permit shall be required for any property for which a request is made to discharge into the District sewage system.

2. Every wastewater discharge permit shall expire by limitations and shall become null and void, if the construction or work authorized by such permit is not commenced within 120 days from date of issuance of such wastewater discharge permit or if the construction or work authorized by such wastewater discharge permit is suspended or abandoned for a period of 120 days at any time after the work is commenced.
  
3. Before such work can be recommenced, a new wastewater discharge permit application must be filed with the District. The District may reactivate the previous wastewater discharge permit provided that wastewater quantity and type is the same as the wastewater discharge allowed under the original permit, and provided further that such suspension and abandonment has not exceeded one year. Fees paid for the previous wastewater discharge permit may be credited toward the total permit fees required on the new permit application. Reactivation of the previous wastewater discharge permit shall be subject to District sewer capacity being available at the time of new application and subject to any additional costs or charges imposed during the period of such suspension or abandonment.

53.09 BASIS FOR DETERMINATION OF EDUs

1. The number of EDUs for sewer service shall be determined on the following basis:

<u>a) Residential Facilities</u>	EDUs
1) Single-Family Residence (Includes manufactured homes, and mobile homes which are on private lots	1.0
A secondary structure with a kitchen is considered an additional EDU	
2) Apartments and Multiple Family Housing Each individual living unit	1.0
3) Residential condominiums Each individual living unit	1.0
4) Mobile Home and Trailer Parks Per each individual space	1.0

- b) Commercial/Industrial Facilities
- 1) Food Service Establishments
  - a) Take-out restaurants with disposable utensils, no dishwasher and no public restrooms 3.0
  - b) Miscellaneous food establishments - ice cream/yogurt shops, bakeries (sales on premise only) 3.0
  - c) 1) Take-out/eat-in restaurants with disposable utensils, but with seating and public restrooms 3.0
  - 2) Restaurants with reuseable utensils, seating and public restrooms (0-18 seats) 3.0
  - Each additional 6 seat unit, or portion thereof 1.0
- 2) Hotels and Motels
  - a) Per living unit without kitchen 0.38
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- 3) Commercial, Professional, Industrial Buildings, Establishments not specifically listed herein
  - a) Any office, store or industrial condominium or establishments. first 1,000 sq. ft. 1.2
  - Each additional 1,000 sq. ft. or portion thereof 0.7
  - b) Where occupancy type or usage is unknown at the time of application for service, the following EDUs shall apply. This shall include, but not be limited to, shopping centers, industrial parks and professional office buildings.

	First 1,000 sq. ft. of gross building floor area	1.2
	Each additional 1,000 square feet of gross building floor area. Portions less than 1,000 sq. ft. will be prorated.	0.7
4)	<u>Self-service laundry per washer</u>	1.0
5)	<u>Churches, theaters and auditoriums</u> per each 150 person seating capacity or any fraction thereof. (Does not include office spaces, schoolrooms, day-care facilities, food preparation areas, etc. Additional EDUs will be assigned for these supplementary uses).	1.5
6)	<u>Schools</u>	
	a) Elementary Schools - For each 50 pupils or fraction thereof	1.0
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Additional EDUs will be prorated based on above values.

The number of pupils shall be based on the average daily attendance of pupils at the school during the preceding fiscal year, computed in accordance with the education code of the State of California. However, where the school has had no attendance during the preceding fiscal year, the General Manager shall estimate the average daily attendance for the fiscal year for which the fee is to be paid and compute the fee based on such estimate.

7) Convalescent Homes

- a) Skilled nursing care facilities, psychological hospitals, convalescent hospitals; licensed by the Department of Health. 0.7/bed
- b) Community Care Facilities with 16 or more beds licensed by the State Department of Health. 0.5/bed
- c) Small Community Care Facilities with 7 to 15 beds licensed by the County Department of Social Services 0.5/bed
- d) Community Care Homes with six or fewer total residents, including resident staff and housekeepers (to be the same EDU as a single-family residence). 1.0

8) Other

In the case of commercial, industrial and other business establishments such as bottling works, supermarkets, markets, deli/markets, convenience stores, hospitals, laundries (other than self-service laundries), automobile service stations, mortuaries, day-care centers, bars, pool halls, and other establishments not included in items 1) through 7) inclusive, or when the EDUs specified in items 1) through 7) are not representative of actual flow due to the number of employees or type of operation, the number of equivalent dwelling units shall be determined in each case by the General Manager and shall be based upon the estimated volume and type of wastewater discharge into the sewer.

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53.11 SEWER SERVICE RATES AND CHARGES

- A. Set-up Fees for Accounts. A set-up fee (see Appendix A, 53.11 A. for fee) shall be charged for each account transferred to another customer.
- B. Residential Sewer Charges.

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Five-year Periodic Pass-through Rate Increases or Decreases from District Wholesalers - All District sewer rates, charges, and fees are subject to periodic rate changes from the District's public agency wholesalers for a five-year period beginning September 1, 2009 through June 30, 2014.

- (1) Winter Average Determination. Sewer service usage fee shall be based on the "Winter Average" water consumption, measured in units of hundred cubic feet (HCF). The winter average period is January through April. The winter average is calculated by adding the four months of water consumption for the preceding winter and dividing the resulting amount by four. This average is then reduced by a 15% usage discount, recognizing that not all water used flows into the sewer system, to determine the "Winter Average" for billing purposes.
- (2) Usage Fee. The usage fee rate (see Appendix A, 53.11 B.2. for rate) is multiplied by the "Winter Average" calculation for each customer (after the above noted 15% discount) and the resulting amount is added to the Fixed Service Charge applicable to the size of meter. The resulting fixed fee shall be charged on a

monthly basis for an entire calendar year, until a new ``Winter Average'' is determined for the following year.

- (3) Base Fee. The monthly base fee per meter size is set forth in Appendix A, 53.11 B.3.
- (4) Monthly Residential Sewer Rate without Consumption History. The average residential sewer charge shall be determined by calculating the total usage fee for all residential customers and dividing by the number of residential customers. Then the monthly base fee for a 3/4 inch meter is added to this average fee and this shall be used to determine the rate per ASU to be used for commercial customers. The monthly residential sewer rate without consumption history is as set forth in Appendix A, 53.11 B.4.

C. Single Residential Winter Averaging

- (1) Defined as: Sewer service for individually metered residential households.
- (2) The monthly sewer bill is calculated by adding the base fee plus the usage fee as described in 5.11.B.(1), (2), & (3) above.
- (3) The maximum ``Winter Average'' for individually metered residential customers is 30 units (after the 15% discount).
- (4) Residential Service without Consumption History. Sewer service for new accounts with no prior winter consumption, customers using well water or other unmetered water shall be assigned a ``Winter Average'' for single individually metered households. See Appendix A, 53.11 C.4. for Winter Averaging fees.

D. Multi-Residential Rate Charges

- (1) Defined as: Sewer service for master metered water service for multiple-residential households including for example; duplex, townhomes, apartments, and mobile homes.
- (2) The monthly sewer bill for the complex is calculated by adding a 3/4 inch base fee (as set forth in Appendix A, 53.11.B.3.) times the number of units in the complex plus the usage fee (as set forth in Appendix A, 53.11.D.2.) for the entire complex. (Note: There is no cap

on consumption for the multi-residential customers.)

- (3) New complexes that do not have a prior winter consumption history to determine their monthly usage fee shall be assigned a "Winter Average" for each multiple-residential unit in a master metered residential complex. See Appendix A, 53.11 C.4. for Winter Averaging fees.

E. Commercial Sewer Charges

- (1) ASU Determination: The charges for commercial sewer service shall be based on the rate of discharge and the strength of sewage. The Board of Directors may adjust the charges in proportion to the amount of water not entering the sewer which is substantiated by the property owner or discharger.
- (2) The strength of sewage is based on its biochemical oxygen demand (BOD) and the cost of removing suspended solids (SS).
- (3) The formula is derived by taking the total cost of providing sewer service and charging each user for a pro-rata share.
- (4) The State Revenue Program Guidelines require use of an "Assigned Service Unit Assignment Formula" which converts higher strength uses into a service unit value which is comparable to the use impact of a single-family residential user or equivalent dwelling unit. The formula for determining an Assigned Service Unit (ASU) for a single-family dwelling is set forth in the annual budget, which is incorporated herein by reference.
- (5) The formula is based on an estimated daily flow of 250 gallons per day plus 280 milligrams per liter of BOD and 234 milligrams per liter of SS for a residential equivalent dwelling unit.
- (6) For commercial users the flow is based on 85% of their prior 12-month water consumption to reflect the amount of water that returns to the system. The basis for determining estimated flow for unmetered water will be calculated on the demand imposed on the water system. The strength of discharge for commercial user is based on whether it is classified as a low-strength, medium-strength or high-strength user.

## User Classification

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Car wash  
General office and buildings  
Barber and beauty shops  
Department, retail stores and general commercial  
Hospitals and convalescent homes  
Laundromat, laundry and dry cleaners  
Professional office or office building  
Warehouse  
Other uses having a similar strength as determined by the District

### Medium-Strength Commercial = 1.238 Strength Factor

Bars without dining facilities  
Bowling alley  
Hotels without dining facilities or cooking facilities  
Auto repair/sales shop and service station  
Shopping centers  
Other uses having a similar strength as determined by the District

### High-Strength Commercial = 2.203 Strength Factor

Bakery or bakery with deli  
Hotel with dining facilities  
Restaurants and bars with food  
Supermarkets  
Other uses having a similar strength as determined by the District

### Institutional = 1.000 Strength Factor

Churches: Treated the same as Low-Strength Commercial.

Schools: For public schools flow is based on average daily attendance ("ADA") for the prior school year, including summer school, as reported by schools to meet state requirements. Private schools will be required to file a report verifying their attendance. For elementary schools 50 students shall equal 1 ASU. For junior high schools 40 students shall equal 1 ASU and for high schools 24 students equals 1 ASU. The formula for schools shall be the same as applies to single-family

residential. For charges see Appendix A, 53.11 E.6.

Colleges: For colleges, flow is based on the number of Certificated and Classified Staff, and students enrolled in each school session (spring, summer, and fall):

$$\begin{aligned} \text{Gallons per day (GPD)} &= \text{no. of students and staff} \times \text{no. of weeks spring session} \\ &+ (\text{no. of students and staff} \times \text{no. of weeks summer session}) \\ &+ (\text{no. of students and staff} \times \text{no. of weeks fall session}) \\ &+ (\text{no. of staff} \times \text{no. of non-session weeks}) \\ &\times 23 \div 52 \end{aligned}$$

$$\begin{aligned} \text{ASU} &= \text{Daily Flow} \times \text{Strength Factor} \\ &= [(\text{GPD} \times 85\%) \div 250] \times 1.000 \end{aligned}$$

The minimum charge for commercial shall be no lower than 1 ASU at low strength. Charges are determined each fiscal year. The formula is set forth in the annual budget, which is incorporated herein by reference.

- F. Monthly Service Charges for Commercial Sewer Service. The Monthly Sewer Service charges for service furnished by the District, shall be:
1. Commercial and Institutional (per ASU)  
Commercial users shall be charged based upon the ASUs derived in Section 53.11 E.(4). For charges see Appendix A, 53.11.F.1.
  2. Industrial and Other Users  
Charges determined by the Board of Directors on a case-by-case basis.

Monthly sewer service charges shall commence upon installation of the water meter to serve the premises receiving the sewer service, upon connection to the District sewer system, upon start of occupancy of the premises to be served, or one year after the date the application for sewer service is filed, whichever is earlier. If a sewer service connection has been obtained and if sewer service will not be used until some time after installation of the water meter, commencement of the sewer service charge may be deferred until the later

date only upon prior approval of the General Manager.

H. Issuance and Payment of Sewer Bills

1. Issuance of Statements: Statements for sewer service or other charges will be mailed monthly or as soon as practical, after the applicable charges have been determined.
2. Due Date: Each statement issued by the District for such charges shall be due and payable on the date of mailing or other presentation to the customer.
3. Final Payment Date: All charges in each statement must be paid on or before the final payment date shown on the statement, which shall be at least 20 calendar days following the date of mailing or presentation of the statement.
4. Place of Payment: Payments shall not be credited to a customer's account until cash, check, credit card, draft, electronic funds transfer, money order or any other acceptable form of payment that will be honored by the bank has been received by the District at the District business office during regular office hours. Deposit of payment in the mail or at a location other than the District business office shall not be credited to a customer's account until received at the business office.
5. Returned Check Charges: A returned payment charge (see Appendix A, 34.01 D.2 for charge) shall be added to a customer's account in each instance where payment has been made to the District with a check, draft, credit card or any other acceptable form of payment that has not been honored upon presentment to the bank upon which it is drawn.

I. Delinquent Accounts

1. Requirement of Deposit Due to Repeated Delinquencies: If payments on a customer account have become delinquent five or more times, the General Manager, Chief Financial Officer, or any person delegated by the General Manager, shall be authorized to require the customer to make a deposit with the District, in cash or any other form satisfactory to the General Manager. The deposit amount shall be

established at the discretion of the General Manager and the Chief Financial Officer, but shall not exceed two times the highest bill during the twelve (12) months preceding the date of demand for a deposit.

2. Handling of Deposit: A deposit shall not earn interest and shall only be applied to reduce or satisfy amounts due the District in the event of termination of service. A deposit does not constitute payment for service bills and the customer shall be required to comply with bill payment requirements to continue receiving service.
3. Refund of Deposit: A deposit required under this Section shall be refunded to the customer as provided in Section 25.04 B.

# OTAY WATER DISTRICT

FY 2012 Budget Workshop  
May 16, 2011

## Workshop Agenda

- Budget Highlights (Joe Beachem)
- Capital Improvement Budget (Rod Posada)
- Balanced Operating Budget (Rita Bell)
- Summary of Recommendations (Joe Beachem)

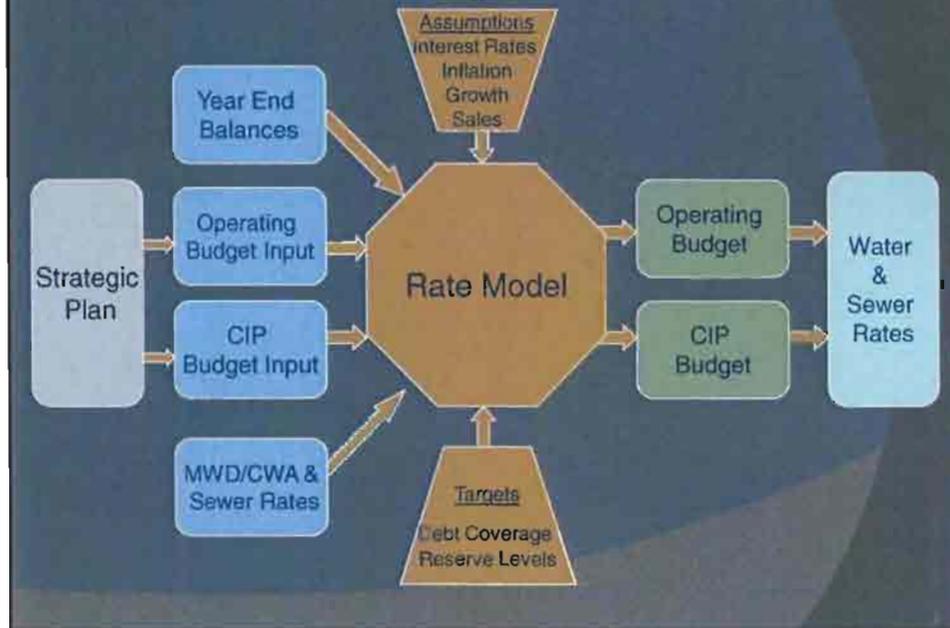
## Workshop Objectives

- Present for approval a \$78.1M Operating Budget
- Present for approval a \$22.6M CIP Budget
- Request approval for rate increases
  - Water - 7.7% average water rate increase on all billing cycles that begin in calendar year 2012
  - Sewer - 7.5% average sewer rate increase on all billing cycles that begin in calendar year 2012
- Obtain direction to send the 30 day notices of increases to customers (Complies with requirements of Proposition 218)
- Request approval of associated fund transfers

## Budget Highlights

(Joe Beachem)

## Rate Model and Budget Process



## Meeting District Objectives

- All reserves at target levels in all years – supported by fund transfers
- Build debt coverage ratio to maintain District credit rating
- Funding the Capital Budget \$22.6M
- Funding the Operating Budget \$78.1M
- Funding Strategic Plan Objectives

## Proposed Fund Transfers - \$13.7M

- Adheres to the Reserve Policy guidelines
- To maintain all reserves at target levels

### Potable

General Fund Reserve	\$2,420,500
Expansion Designated to Sewer Replacement	\$1,830,000
General Fund to Designated New Supply	\$1,515,000
General Fund to Sewer Replacement	\$1,720,000
General Fund to Sewer General Fund	\$595,000

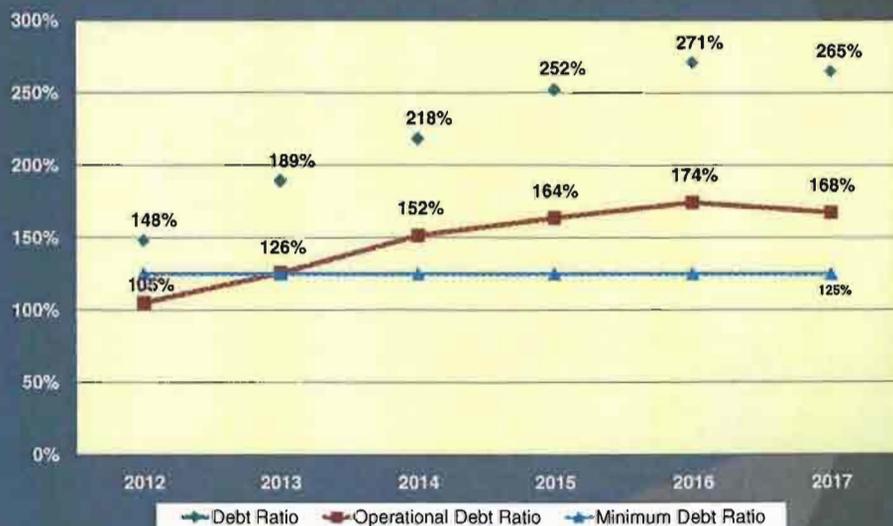
### Recycled

General Fund Draw Down	\$522,800
Designated Betterment to Designated Expansion	\$405,000
General Fund to Designated Expansion	\$555,000
General Fund to Designated New Supply	\$70,000
General Fund to Replacement	\$3,330,000

### Sewer

General Fund Reserve	\$191,800
Replacement to Designated Expansion	\$430,000
Replacement to General Fund	\$120,000
Designated Betterment to General Fund	\$30,000

## Debt Coverage Ratios



Otay Water District  
100% of the Water Rate Increase due to Suppliers

100%

CWA  
MWD  
City of San Diego

Supplier's weighted average price increase of 9.97% increased costs by \$1,809,200

Otay's average rate increase of 7.7% increased revenues by \$1,431,900

## Operating Budget Highlights

### Items putting upward pressure on rates:

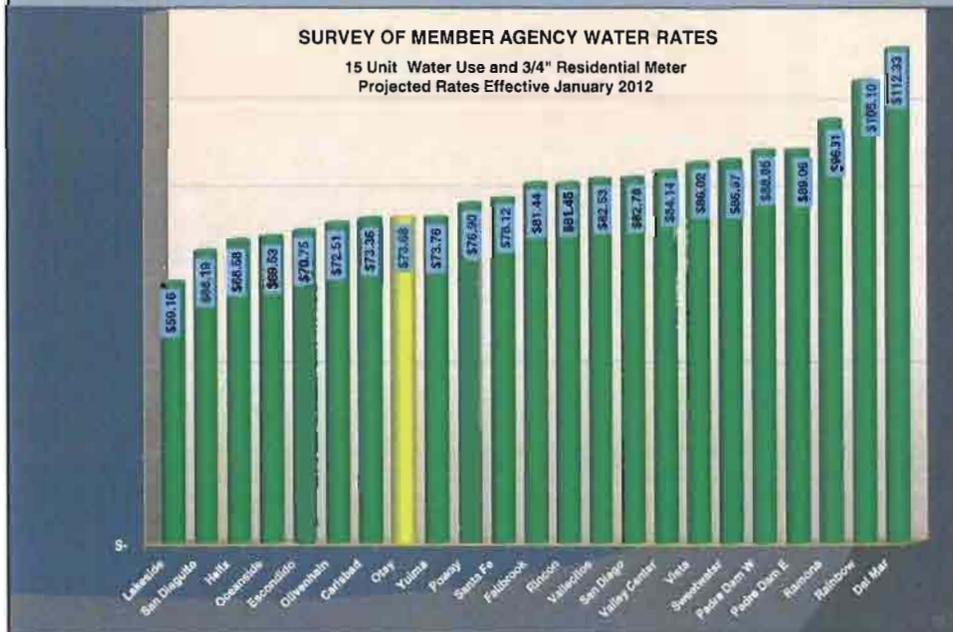
- Total water costs are increasing \$3.2M
  - Current rate increase adds \$1.8M to expense
  - Prior year's rate increase has a full year impact
  - Offset by reduced water purchases
- Labor & Benefits increase \$1.3M as per MOU
- Materials & Maintenance increase \$530,500
- Lower sales revenue of \$1.4M due to loss of sales in highest tiers

# Operating Budget Highlights

## Items holding down rates:

- Changes and reductions in staffing levels (3 positions) held down labor costs by \$320,300
- Administrative costs decrease \$1.0 million
- Full year impact of Otay's prior year rate increase
- Reduced reserve funding and other transfers by \$2.7 million
  - \$60 million shift in the 2012 - 2014 CIP

# Water Survey Results – 15 Units



## Water Survey Results – 15 Units (base rate only as per various media articles)



## Water Survey Results – 10 Units



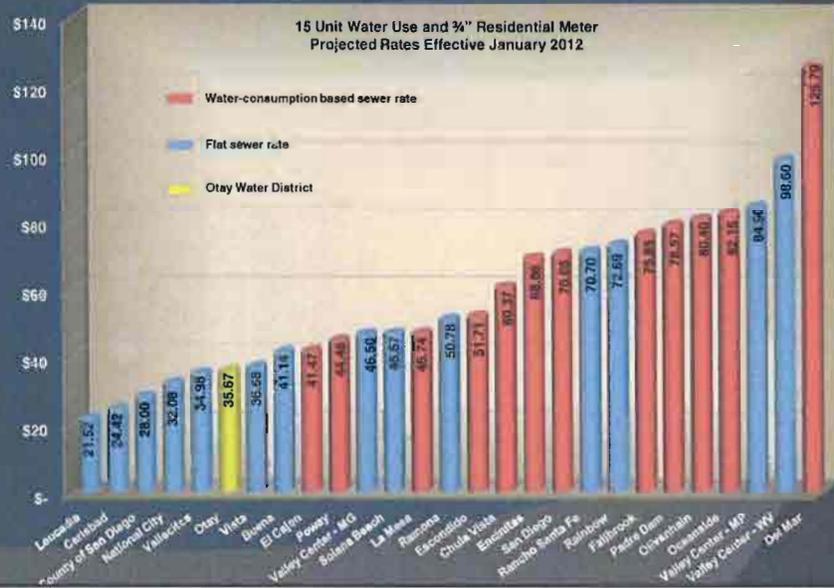
# RATE MODEL REVIEW Sewer Rates

## Sewer Budget Highlights

- Sewer Rate Increase
  - 7.5% in 2012 and projected for all six years
  - Typical customer will see a \$1.95 increase per month
- Sewer Debt Paid Off
  - Reduces each residential customer's monthly cost by \$4.50
- CIP Funding \$2.9M
- Reserves on Target
- Sewer Service Providers Cost Increases \$333,400 or 11.7%
  - City of San Diego – Wastewater Department increase of cost of \$358,800
    - \$97,800 on-going and \$261,000 one-time for treatment plant upgrades
  - Spring Valley Sanitation District decrease of (\$24,800)

# Sewer Survey Results

Sewer Rate Comparison in San Diego County



CAPITAL  
IMPROVEMENT  
PROGRAM  
(Rod Posada)

# Growth Projections<sup>1</sup>

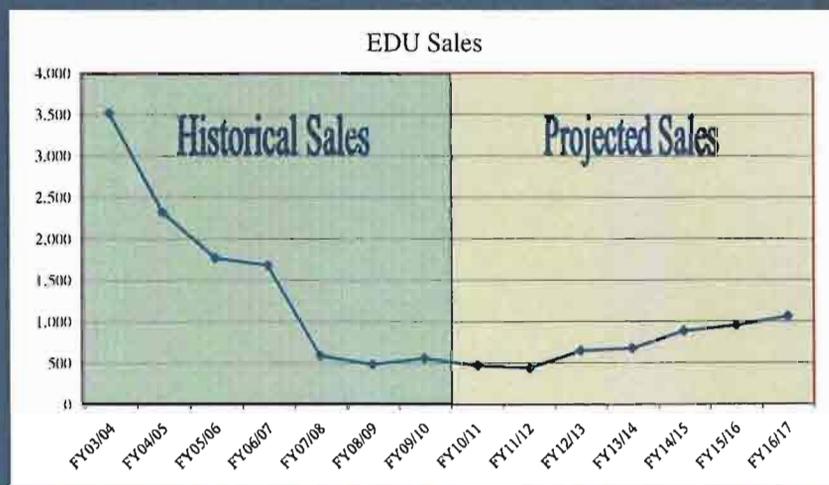
	FISCAL YEARS					
	2012	2013	2014	2015	2016	2017
Single Family Dwelling Units	250	375	375	450	450	450
Condominium Units	200	200	300	500	625	750
Apartment Units	200	200	300	400	400	400
Non-Residential <sup>2</sup> (Permit valuation in millions of dollars)	\$14	\$14	\$14	\$14	\$27	\$27

<sup>1</sup>Source: MarketPointe Realty Advisors Report May 2011

<sup>2</sup>Office, commercial, and hotels in the Central and South Districts

# Meter Sales and Growth

Projected to sell 420 Potable and 20 Recycled EDUs in FY 2012



## CIP Budget Assumptions

- Growth to remain relatively flat for FY 2012
- Six-year CIP expenditure plan to be as level as possible
- The Engineering News-Record Public Works Construction Cost Index projects increases to 1.8% from March 2010 to March 2011
- SDCWA Construction index for the Calendar Year 2010 was 6%
  - The major considerations for cost increases were:
    1. Impacts due to recession and work availability
    2. Commodity and resource costs (i.e., steel, fuel, aggregate, electricity, concrete)
    3. Regulatory impacts (i.e. change in RWQCB requirements for storm water)

## CIP Six-Year Budget Look Forward

(\$ Millions)

### FY 2011

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Totals	\$28.5	\$42.3	\$47.9	\$36.9	\$18.8	\$7.0
<b>Six-Year Total:</b>						<b>\$181.4</b>

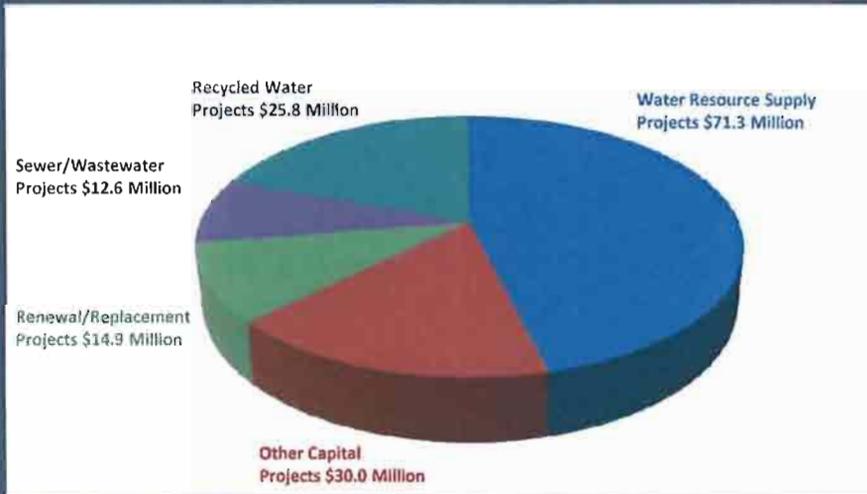
### FY 2012

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Totals	\$22.6	\$21.4	\$27.6	\$22.1	\$26.1	\$34.8
<b>Six-Year Total:</b>						<b>\$154.6</b>

# Otay Water District Initiatives

Fiscal Year 2012 – 2017 CIP Expenditure Projections

Total: \$154.6 Million



## Water Resources Supply Projects

Fiscal Year 2012 – 2017 CIP  
(\$ Millions)

Rancho Del Rey Groundwater Well Development	\$ 3.5
Otay Mesa Desalination Conveyance and Disinfection System	\$29.0
San Diego Formation Groundwater Feasibility Study	\$ 0.4
North District - South District Interconnection System	\$36.8
Potable Irrigation Meters to Recycled Water Conversions	\$ 1.6
<b><u>Total Expenditure Projection</u></b>	<b><u>\$71.3</u></b>

# BALANCED OPERATING BUDGET

(Rita Bell)

## FY 2012 Operating Budget

- Budget Process
- Budget Objectives
- Budget Details
- Conclusion

## Budget Process

- Strategic Plan Objectives set the overall direction for the budgeting effort
- Each department makes budget requests
- Review of all Operating and CIP Budget requests with Chiefs, Assistant General Managers and General Manager
- Review and incorporate reasonable assumptions on sales, growth, interest rates and price inflators
- Evaluate cost saving measures and make adjustments where prudent
- Recommend rates that support Strategic Plan initiatives, CIP and operational needs

## Budget Objectives

- Minimize rate impacts
  - CWA City of San Diego water cost increases
  - Sales projection
  - Sewer cost increases from City of San Diego and County of San Diego
- Maintain target reserve level and build debt coverage levels to target
- Maintain water and sewer rate position relative to other agencies in the region

## Weather & Growth

- Weather for FY 2011
  - Coolest July since the 1930's; 5<sup>th</sup> coolest July ever
  - 9<sup>th</sup> wettest December since 1850
- Forecast for FY 2012
  - Less extreme weather
  - Removal of water use restrictions
  - Ongoing pricing pressures
- CWA's Sales Projections
  - 50% sales returning to 2010 levels in FY 2012
  - Another 25% in both FY 2013 and FY 2014
- Growth rates for FY 2012 through FY 2017 were developed using MarketPointe Realty Advisors input

## Potable Water Sales

UNIT SALES AND METER COUNT TRENDS



## Potable Sales Revenues

- Sales dollar increase of \$1,574,800 or 2.8%

	\$ Change
Water Sales (Variable)	\$38,000
System Fees	\$9,900
Energy Fees	\$19,400
MWD & CWA Fixed Fees	\$1,342,100
Penalties	\$165,400
<b>Total Sales</b>	<b>\$1,574,800</b>

- Potable water volume decrease of (920 AF) or (3.1%)
- Fixed fees set at 30% of total water revenue per Best Management Practices 11

## Recycled Sales Revenues

- Recycled water sales decrease (\$225,100) or (3.0%)

	\$ Change
MWD & CWA Incentive Credits	(\$92,400)
Water Sales (Variable)	(\$49,700)
System Fees	(\$25,500)
Energy Fees	(\$70,200)
Penalties	\$12,700
<b>Total Sales</b>	<b>(\$225,100)</b>

- Recycled water volume decrease of (332.3 AF) or (7.7%)

## Sewer Revenues

- Rate increase of 7.5%
  - Sewer increases to be determined with winter averages of single & multi-family residential customers
  - Increases for all other customers based on annual usage
  - Water usage down due to price, conservation and weather

	\$ Change
Single-Family	\$24,600
Multi-Family	\$15,900
Other	\$18,300
Penalties	\$6,700
<b>Total Charges</b>	<b>\$65,500</b>

## Sewer State Loan Paid Off

- FY 2011 marks the final year of collecting the \$54 per ASU on customer's property tax bill to repay the State Loan
- This will save a residential customer \$4.50 per month on their property tax bill
- The 7.5% rate increase equates to an increase of \$1.95 on a typical monthly sewer bill
- The net savings will be \$2.55 per month or a 6% reduction

## Other Revenues

- Property Rental Revenues: Increase 11.6% \$134,500
  - Due to two new leases and contractual inflators
- Capacity Fee Revenues: Decrease (4.7%) (\$51,300)
  - Due to reduction in workload of operating projects funded by capacity fees
- Grant Revenue: Decrease (83.3%) (\$100,000)
  - Offset by decreases in the Conservation Budget
- Property Tax: No significant change

## Water Cost

Water Costs Increase \$3,186,500 9.1%

- Variable Costs Increase
  - Potable costs increase \$1,554,400 5.9%
  - Recycled costs decrease (\$73,200) (6.3%)
- Fixed Costs Increase
  - Potable costs increase \$1,359,200 17.8%
  - Recycled costs – no change
- Take or Pay
  - Recycled costs increase \$346,100

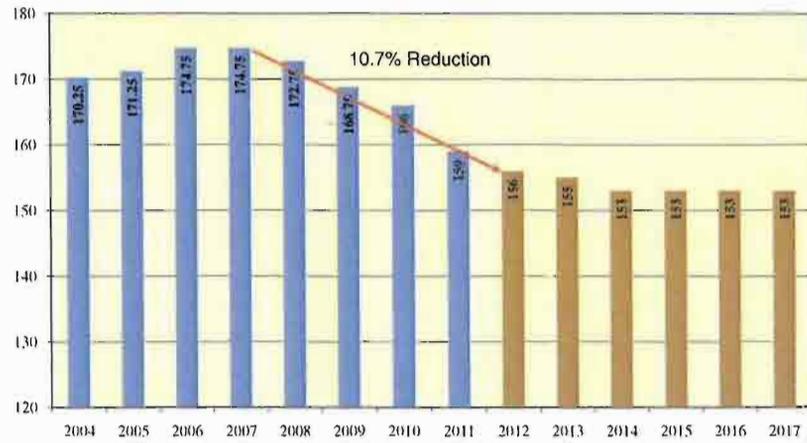
## Power

- Power Cost Decrease (\$79,800) (3.2%)
  - Water demand decrease (3.1%)
  - SDG&E rates increase 3.5% on January 1, 2012

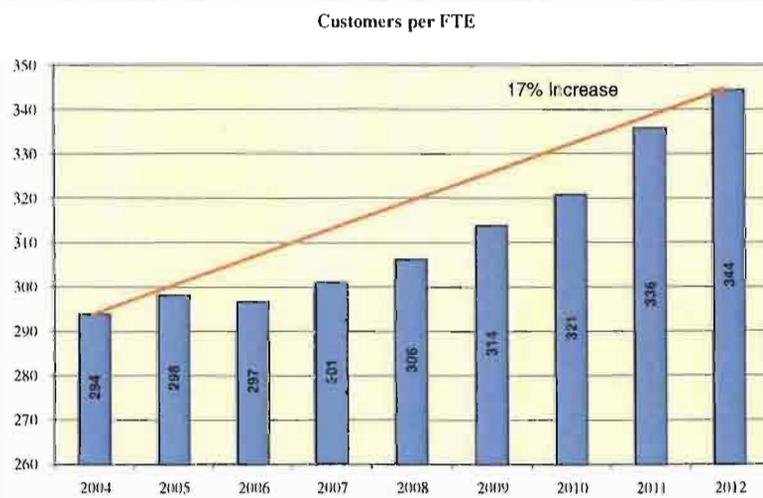
## Staffing Highlights

- **PROCESS** - Each year Senior Team conducts an analysis of:
  - Work load requirements
  - Existing vacancies
- **Results**
  - Three vacant positions were deleted, reducing FTE from 159 to 156

## Staffing Reductions



## Efficiencies



## Labor Costs

- Labor and Benefits increase of \$1,370,200 or 8.2%
  - Staff reduction and position changes decrease of (\$320,300)
  - Labor and Benefits
    - COLA and merit increases \$641,300 (In accordance with existing MOU)
    - Net change to vacancy factor and vacation and sick leave taken \$122,900
    - Benefit cost increases \$882,100
  - Charges to CIP decrease which causes increase to Operating by \$44,200

## Administrative Cost

- Administrative Expense Budget Decrease of (\$1,020,900) or (12.3%)
  - Moved \$142,400 to CIP based work being performed
  - Decreased conservation incentives \$178,900
    - Offset by \$100,000 cut in grant revenue
    - Based on sun-setting of incentive programs by MWD and CWA
  - Decreased outside services \$195,000
    - Completion of major planning projects in Engineering
    - Match project timing to Strategic Plan
  - Reduced Temporary Services \$147,900
    - Some of this labor is shown in Labor and Benefits

# Materials & Maintenance Costs

- Overall Increase of \$530,500 or 14.1%
  - Sewer – Public Utilities Department – Wastewater Branch costs of \$358,800 (\$261,000 is one-time expense)
  - Fuel due to price increase of \$108,500
  - Chemicals increase \$106,000

# Budget Summary

	<u>Potable</u>	<u>Reeveled</u>	<u>Sewer</u>	<u>Total</u>
<b>REVENUES</b>				
Sales and Charges	\$ 57,908,800	\$ 7,395,500	\$ 2,336,000	\$ 67,640,300
Other Revenue	8,847,400	537,500	1,037,000	10,421,900
<b>TOTAL REVENUES</b>	<b>\$ 66,756,200</b>	<b>\$ 7,933,000</b>	<b>\$ 3,373,000</b>	<b>\$ 78,062,200</b>
<b>EXPENDITURES</b>				
Water Costs	\$ 36,790,900	\$ 1,452,800	\$ -	\$ 38,243,700
Power	1,848,300	510,800	81,800	2,440,900
Labor and Benefits	15,946,400	1,263,800	909,400	18,119,600
Administrative Expenses	3,775,600	351,000	434,100	4,560,700
Materials & Maintenance	2,144,500	399,600	1,755,900	4,300,000
<b>TRANSFERS</b>	<b>6,250,500</b>	<b>3,955,000</b>	<b>191,800</b>	<b>10,397,300</b>
<b>TOTAL EXPENDITURES and TRANSFERS</b>	<b>\$ 66,756,200</b>	<b>\$ 7,933,000</b>	<b>\$ 3,373,000</b>	<b>\$ 78,062,200</b>

## Conclusion

- Balanced budget which meets the needs of our customers and supports the Strategic Plan
- Supported by a 7.7% potable and recycled water rate increase
- Supported by a 7.5% rate increase in sewer charges

SUMMARY OF RECOMMENDATIONS

## Summary of Recommendations

1. Adopt Resolution No. 4173 to approve the FY 2011-2012 Operating and CIP Budget
2. Approve the fund transfers
3. Approve Ordinance No. 530 to amend Appendix A of the Code of Ordinances with the proposed water and sewer rate increases
4. Direct staff to send notices of rate increases to customers

QUESTIONS?

## **Attachment D**

### ***Preliminary Operating and Capital Budget Fiscal Year 2011-2012***

**Refer to Separate File  
(Agenda Item 12, Attachment D)**



# Notice of Residential Water Rate Increase

Otay Water District  
 2554 Sweetwater Springs Blvd.  
 Spring Valley, CA 91978  
 619-670-2222

www.otaywater.gov

## NOTICE OF INCREASED WATER RATES AND CHARGES EFFECTIVE ON WATER USAGE BEGINNING IN JANUARY 2012

Dear Customer,

An overall rate increase of 7.7% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2011. The new water rates and charges will apply to water billed beginning February 1, 2012 and, depending on your billing cycle, may apply to water usage as early as the beginning of January, 2012. **This letter serves as a 30-day notice of rate increases.**

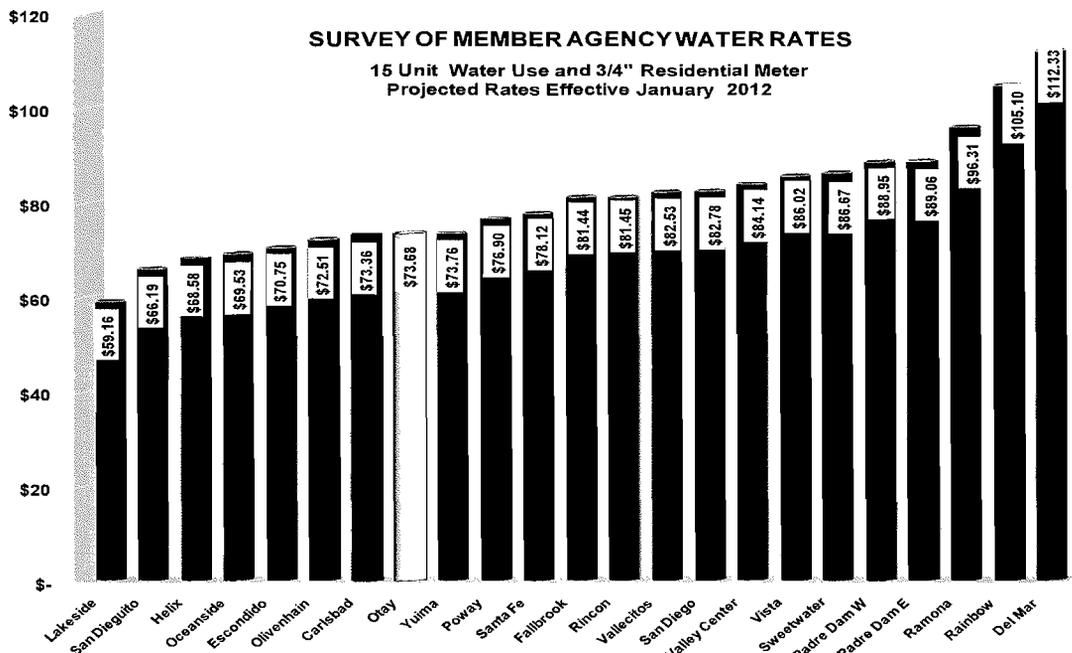
The District is a revenue neutral public agency. To continue providing reliable high-quality water services, the District must implement rate increases and must pass-through to its customers higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD), San Diego County Water Authority (CWA), and the City of San Diego.

On August 24, 2009, the District adopted a five-year schedule of rates in compliance with applicable provisions of law. The rate increase herein noticed is a one hundred percent pass-through from the District's water wholesalers. This increase is within the limits contemplated in the five-year schedule of rates.

Water wholesalers are raising their water rates to obtain new and more reliable supplies of water. These include more reliable emergency resources, agricultural to urban water transfers, canal lining projects, as well as potential new sources of water supplies including ocean water desalination. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

For its part, the District has worked diligently to reduce internal costs, including reducing the number of full-time employees and has instituted efficiency programs such as automated meter reading and online bill pay services, which minimize the impact of higher water costs from wholesalers.

Customers who are interested in learning ways in which they can reduce their water usage to minimize the effects of this increase can visit the District's Conservation page at [www.otaywater.gov](http://www.otaywater.gov). Additionally, the Water Conservation Garden located in Rancho San Diego is free to the public and offers various conservation exhibits and classes. For more information about the Garden, visit [www.thegarden.org](http://www.thegarden.org). For more information, please visit [www.otaywater.gov](http://www.otaywater.gov) or contact us via email at [info@otaywater.gov](mailto:info@otaywater.gov).



Rate includes the cost of special assessments and availability charges that are collected on the property tax bill.

## Typical Bill at 15 HCF<sup>2</sup> (or Units) per Month

For a typical single-family residential customer, your bill will increase by \$5.13. Your bill will vary based on meter size, water consumption, and geographic location.

	MWD/CWA <sup>1</sup>	System Fee <sup>1</sup>	Water Rate <sup>2</sup>	Energy Charge <sup>4</sup>	Water Charge by Improvement District <sup>5</sup>	Total <sup>6</sup>
<b>Current</b>	\$11.82	\$14.58	\$38.10	\$2.34	\$0.88	\$67.72
<b>New</b>	\$14.01	\$14.58	\$40.45	\$2.36	\$1.45	\$72.85
					<b>Increase in monthly water bill:</b>	<b>\$5.13</b>

## New Rates and Fees

Single Family Consumption Blocks (Units or HCF) <sup>2</sup>	Current	New
<b>Conservation Tier<sup>3</sup></b>	\$1.49	\$1.58
6 - 10	\$2.31	\$2.45
11 - 22	\$3.00	\$3.19
23 +	\$4.63	\$4.92

Meter Size	Current			New		
	System Fee	MWD/CWA	Total	System Fee	MWD/CWA	Total
3/4"	\$14.58	\$11.82	\$26.40	\$14.58	\$14.01	\$28.59
1"	\$18.52	\$19.69	\$38.21	\$18.52	\$23.33	\$41.85
1 1/2"	\$28.37	\$39.44	\$67.81	\$28.37	\$46.74	\$75.11
2"	\$40.18	\$63.07	\$103.25	\$40.18	\$74.74	\$114.92

	Current	New
<b>Energy Charges<sup>4</sup></b>	\$0.044	\$0.045
<b>Improvement District<sup>5</sup> No. 3</b>	\$0.19	\$0.20
<b>Improvement District<sup>5</sup> No. 10</b>	\$0.27	\$0.27
<b>La Presa<sup>5</sup></b>	\$0.08	\$0.08

## Footnotes

- These fees are based on the meter size. The MWD/CWA fee is increasing to reflect the full pass-through of this cost by the District's water suppliers.
- This cost varies based on water usage and can be calculated using the consumption block tables. One unit of consumption equals 748 gallons or one HCF (hundred cubic feet).
- The Conservation Tier discount applies toward the first five units when overall consumption is ten units or less.
- The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. This increase is necessary due to increased power costs to the District.
- This charge is a per unit charge and your bill will vary based on water consumption. Improvement district charges do not apply to the first five units of water per month.
- Charges collected through the property tax role (Availability Fees and general obligation debt) are not included in this total.

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



## Notice of Residential and Multi-Residential Sewer Rate Increase

Otay Water District  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978  
619-670-2222

[www.otaywater.gov](http://www.otaywater.gov)

### NOTICE OF INCREASED SEWER RATES AND CHARGES EFFECTIVE ON SEWER SERVICE BEGINNING IN JANUARY 2012

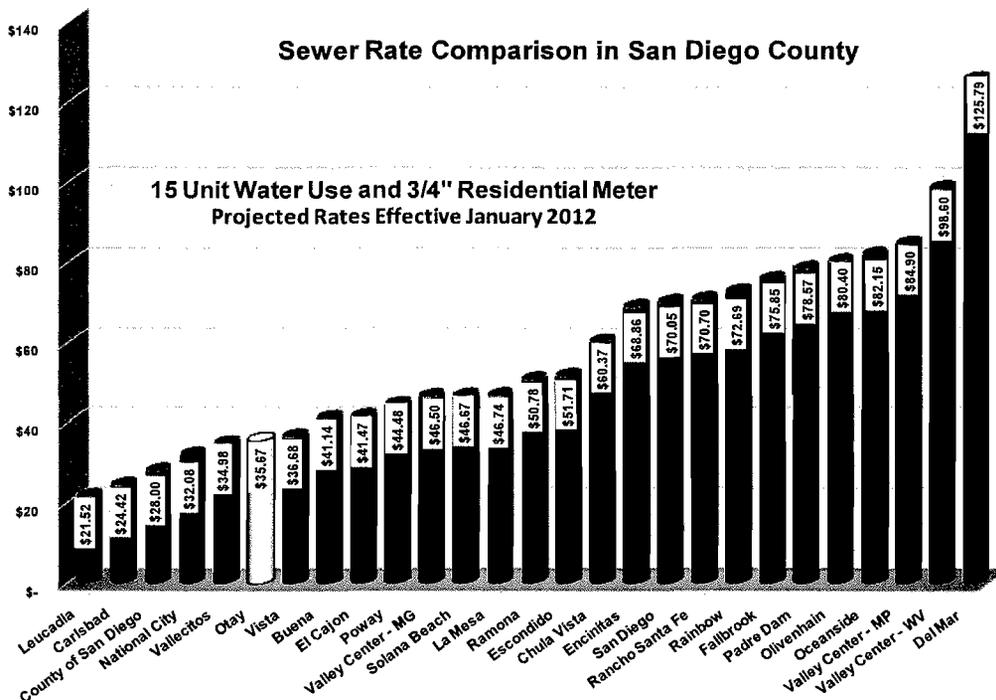
Dear Customer,

An overall rate increase of 7.5% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2011. The new sewer rates and charges will apply to service billed beginning February 1, 2012 and, depending on your billing cycle, may apply to service as early as the beginning of January, 2012. For a typical residential sewer customer whose water usage is approximately 15 units per month, your sewer bill will increase by \$1.95 per month. **This letter serves as a 30-day notice of rate increases.**

The District is a revenue neutral public agency. Your sewer bill reflects only those charges sufficient to support your sewer service. To continue providing sewer services, the District must adjust its rates for service, implement certain rate increases and pass-through higher costs to its customers based on rate changes from the District's sewage treatment and disposal providers. For instance, while the County of San Diego decreased its rates for service, this positive action was offset by a 9.4% increase from the City of San Diego for wastewater disposal.

On August 24, 2009, the District adopted a five-year schedule of rates in compliance with applicable provisions of law. The rate increases herein noticed reflect a pass-through increase of 7.5%. One hundred percent of this increase is the result of higher service rates for wastewater disposal from the City of San Diego. The sewer rate increase is within the limits contemplated in the five-year schedule of rates.

For its part, the District has worked diligently to reduce internal costs to minimize the impact of higher costs from sewage treatment providers. The chart below shows how the District's sewer rates compare to other agencies in San Diego County. For more information, please visit [www.otaywater.gov](http://www.otaywater.gov) or contact us via email at [info@otaywater.gov](mailto:info@otaywater.gov).



Rates include special assessments and availability charge on property tax bills.

## Residential Sewer Rate Increase

The monthly sewer service charge for a typical single-family residential customer with either a 3/4" or 1" water meter and a Winter Average of 15 HCF (hundred cubic feet or one unit) will be calculated as follows:

### Usage Fee Rate x Winter Average + a Monthly Base Fee

	<u>Usage Fee</u>	<u>Base Fee</u>	<u>Total</u>
<b>Current</b>	\$21.30	\$11.57	\$32.87
<b>New</b>	\$22.56	\$12.26	\$34.82

<b>Meter Size</b>	<u>Current</u>	<u>New</u>
<b>3/4"</b>	\$11.57	\$12.26
<b>1.00"</b>	\$16.87	\$17.88

<b>Usage Fee</b>	\$1.67	\$1.77
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A typical bill is based on 12.75 HCF of water (15 - 2.25 HCF). This 15% discount is an acknowledgement that all water purchased does not go to the sewer system. The maximum bill for a 3/4" meter is \$65.36. The maximum bill for a 1.0" meter (based on 30 HCF, which as already been reduced by the 15% discount) would be \$70.98.

The Winter Average is defined as the units of water billed from January through April of the previous year divided by four. New customers will have a Winter Average assigned of 15 HCF and pay \$34.82 per month until a Winter Average can be established.

## Multi-Residential

The total sewer bill for multiple residential customers is calculated just like a residential customer with the exception that the base fee is multiplied by the number of dwelling units, and the Winter Average, after being reduced by 15%, has no maximum.

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



## Notice of Public and Commercial Water Rate Increase

Otay Water District  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978  
619-670-2222

[www.otaywater.gov](http://www.otaywater.gov)

### NOTICE OF INCREASED WATER RATES AND CHARGES EFFECTIVE ON WATER USAGE BEGINNING IN JANUARY 2012

Dear Customer,

An overall rate increase of 7.7% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2011. The new water rates and charges will apply to water billed beginning February 1, 2012 and, depending on your billing cycle, may apply to water usage as early as the beginning of January, 2012. **This letter serves as a 30-day notice of rate increases.**

The District is a revenue neutral public agency. To continue providing reliable high-quality water services, the District must implement rate increases and must pass-through to its customers higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD), San Diego County Water Authority (CWA), and the City of San Diego.

On August 24, 2009, the District adopted a five-year schedule of rates in compliance with applicable provisions of law. The rate increase herein noticed is a one hundred percent pass-through from the District's water wholesalers. This increase is within the limits contemplated in the five-year schedule of rates.

Water wholesalers are raising their water rates to obtain new and more reliable supplies of water. These include more reliable emergency resources, agricultural to urban water transfers, canal lining projects, as well as potential new sources of water supplies including ocean water desalination. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

For its part, the District has worked diligently to reduce internal costs, including reducing the number of full-time employees and has instituted efficiency programs such as automated meter reading and online bill pay services, which minimize the impact of higher water costs from wholesalers.

Customers who are interested in learning ways in which they can reduce their water usage to minimize the effects of this increase can visit the District's Conservation page at [www.otaywater.gov](http://www.otaywater.gov). Additionally, the Water Conservation Garden located in Rancho San Diego is free to the public and offers various conservation exhibits and classes. For more information about the Garden, visit [www.thegarden.org](http://www.thegarden.org).

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

*Dedicated to Community Service*

## Consumption Blocks by Unit and System Fees by Meter Size

### Public and Commercial Water Usage Fee (<10" meter)

Consumption Blocks (units) <sup>1</sup>	Current	New
0 - 173	\$2.44	\$2.59
174 - 831	\$2.50	\$2.66
832 or more	\$2.54	\$2.70

### Public and Commercial Water Usage Fee (10" meter)

Consumption Blocks (units) <sup>1</sup>	Current	New
0 - 7,426	\$2.44	\$2.59
7,427 - 14,616	\$2.50	\$2.66
14,617 or more	\$2.54	\$2.70

Meter Size	Current			New		
	System Fee <sup>2</sup>	MWD/CWA <sup>2</sup>	Total	System Fee <sup>2</sup>	MWD/CWA <sup>2</sup>	Total
3/4"	\$14.58	\$11.82	\$26.40	\$14.58	\$14.01	\$28.59
1"	\$18.52	\$19.69	\$38.21	\$18.52	\$23.33	\$41.85
1 1/2"	\$28.37	\$39.44	\$67.81	\$28.37	\$46.74	\$75.11
2"	\$40.18	\$63.07	\$103.25	\$40.18	\$74.71	\$114.92
3"	\$71.68	\$126.14	\$197.82	\$71.68	\$149.48	\$221.16
4"	\$107.13	\$197.11	\$304.24	\$107.13	\$233.58	\$340.71
6"	\$205.59	\$394.17	\$599.76	\$205.59	\$467.09	\$672.68
8"	\$323.73	\$630.71	\$954.44	\$323.73	\$747.39	\$1,071.12
10"	\$461.57	\$903.58	\$1,365.15	\$461.57	\$1,070.74	\$1,532.31

## Other Charges

	Current	New
Energy Charges <sup>3</sup>	\$0.044	\$0.045
Improvement District <sup>4</sup> No. 3	\$0.19	\$0.20
Improvement District <sup>4</sup> No. 10	\$0.27	\$0.27
La Presa <sup>4</sup>	\$0.08	\$0.08

## Footnotes

1. This cost varies based on water usage and can be calculated using the consumption block tables. One unit of consumption equals 748 gallons of water.
2. These Fixed Charges are based on the meter size. The MWD/CWA fee is increasing to reflect the full pass-through of this cost by the District's water suppliers.
3. The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. This increase is necessary due to increased power costs to the District.
4. This charge is a per unit charge and your bill will vary based on water consumption.

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



Otay Water District  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978  
619-670-2222  
[www.otaywater.gov](http://www.otaywater.gov)

## Notice of Landscape, Agricultural and Construction Water Rate Increase

### NOTICE OF INCREASED WATER RATES AND CHARGES EFFECTIVE ON WATER USAGE BEGINNING IN JANUARY 2012

Dear Customer,

An overall rate increase of 7.7% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2011. The new water rates and charges will apply to water billed beginning February 1, 2012 and, depending on your billing cycle, may apply to water usage as early as the beginning of January, 2012. **This letter serves as a 30-day notice of rate increases**

The District is a revenue neutral public agency. To continue providing reliable high-quality water services, the District must implement rate increases and must pass-through to its customers higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD), San Diego County Water Authority (CWA), and the City of San Diego.

On August 24, 2009, the District adopted a five-year schedule of rates in compliance with applicable provisions of law. The rate increase herein noticed is a one hundred percent pass-through from the District's water wholesalers. This increase is within the limits contemplated in the five-year schedule of rates.

Water wholesalers are raising their water rates to obtain new and more reliable supplies of water. These include more reliable emergency resources, agricultural to urban water transfers, canal lining projects, as well as potential new sources of water supplies including ocean water desalination. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

For its part, the District has worked diligently to reduce internal costs, including reducing the number of full-time employees and has instituted efficiency programs such as automated meter reading and online bill pay services, which minimize the impact of higher water costs from wholesalers.

Customers who are interested in learning ways in which they can reduce their water usage to minimize the effects of this increase can visit the District's Conservation page at [www.otaywater.gov](http://www.otaywater.gov). Additionally, the Water Conservation Garden located in Rancho San Diego is free to the public and offers various conservation exhibits and classes. For more information about the Garden, visit [www.thegarden.org](http://www.thegarden.org).

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

*Dedicated to Community Service*

## Consumption Blocks by Unit and System Fees by Meter Size

### Water Usage Fee<sup>1</sup> - Landscape, Agricultural, and Construction Water (3/4" to 1" meter)

Consumption Blocks (units) <sup>1</sup>	Current	New
0 - 49	\$3.32	\$3.53
50 - 132	\$3.39	\$3.60
133 or more	\$3.45	\$3.66

### Water Usage Fee<sup>1</sup> - Landscape, Agricultural, and Construction Water (1 1/2" to 2" meter)

Consumption Blocks (units) <sup>1</sup>	Current	New
0 - 144	\$3.32	\$3.53
145 - 355	\$3.39	\$3.60
356 or more	\$3.45	\$3.66

### Water Usage Fee<sup>1</sup> - Landscape, Agricultural, and Construction Water (3"+ meter)

Consumption Blocks (units) <sup>1</sup>	Current	New
0 - 1,044	\$3.32	\$3.53
1,045 - 8,067	\$3.39	\$3.60
8,068 or more	\$3.45	\$3.66

Meter Size	Current			New		
	System Fee <sup>2</sup>	MWD/CWA <sup>2</sup>	Total	System Fee <sup>2</sup>	MWD/CWA <sup>2</sup>	Total
3/4"	\$14.58	\$11.82	\$26.40	\$14.58	\$14.01	\$28.59
1"	\$18.52	\$19.69	\$38.21	\$18.52	\$23.33	\$41.85
1 1/2"	\$28.37	\$39.44	\$67.81	\$28.37	\$46.74	\$75.11
2"	\$40.18	\$63.07	\$103.25	\$40.18	\$74.74	\$114.92
3"	\$71.68	\$126.14	\$197.82	\$71.68	\$149.48	\$221.16
4"	\$107.13	\$197.11	\$304.24	\$107.13	\$233.58	\$340.71
6"	\$205.59	\$394.17	\$599.76	\$205.59	\$467.09	\$672.68
8"	\$323.73	\$630.71	\$954.44	\$323.73	\$747.39	\$1,071.12
10"	\$461.57	\$903.58	\$1,368.15	\$461.57	\$1,070.74	\$1,532.31

## Other Charges

	Current	New
Energy Charges <sup>3</sup>	\$0.044	\$0.045
Improvement District <sup>4</sup> No. 3	\$0.19	\$0.20
Improvement District <sup>4</sup> No. 10	\$0.27	\$0.27
La Presa <sup>4</sup>	\$0.08	\$0.08

## Footnotes

- This rate is a per unit charge. Customers using temporary meters pay two times this rate. One unit of consumption equals 748 gallons of water.
- These Fixed Charges are based on the meter size. The MWD/CWA fee is increasing to reflect the full pass-through of this cost by the District's water suppliers.
- The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. This increase is necessary due to increased power costs to the District.
- This charge is a per unit charge and your bill will vary based on water consumption.

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



Otay Water District  
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Spring Valley, CA 91978  
619-670-2222

[www.otaywater.gov](http://www.otaywater.gov)

## Notice of Recycled Water Rate Increase

### NOTICE OF INCREASED WATER RATES AND CHARGES EFFECTIVE ON WATER USAGE BEGINNING IN JANUARY 2012

Dear Customer,

An overall rate increase of 7.7% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2011. The new water rates and charges will apply to water billed beginning February 1, 2012 and, depending on your billing cycle, may apply to water usage as early as the beginning of January, 2012. **This letter serves as a 30-day notice of rate increases.**

The District is a revenue neutral public agency. To continue providing reliable high-quality water services, the District must implement rate increases and must pass-through to its customers higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD), San Diego County Water Authority (CWA), and the City of San Diego.

On August 24, 2009, the District adopted a five-year schedule of rates in compliance with applicable provisions of law. The rate increase herein noticed is a one hundred percent pass-through from the District's water wholesalers. This increase is within the limits contemplated in the five-year schedule of rates.

For its part, the District has worked diligently to reduce internal costs, including reducing the number of full-time employees and has instituted efficiency programs such as automated meter reading and online bill pay services, which minimize the impact of higher water costs from wholesalers.

Customers who are interested in learning ways in which they can reduce their water usage to minimize the effects of this increase can visit the District's Conservation page at [www.otaywater.gov](http://www.otaywater.gov).

Additionally, the Water Conservation Garden located in Rancho San Diego is free to the public and offers various conservation exhibits and classes. For more information about the Garden, please visit [www.thegarden.org](http://www.thegarden.org).

For more information, visit [www.otaywater.gov](http://www.otaywater.gov) or contact us via email at [info@otaywater.gov](mailto:info@otaywater.gov).

*Dedicated to Community Service*

## Consumption Fees by Meter Size

Recycled Water Usage Fee <sup>1</sup> ( 3/4" to 1.0" meter)			Recycled Water Usage Fee <sup>1</sup> (1 1/2" to 2.0" meter)		
Consumption Blocks (units) <sup>1</sup>	Current	New	Consumption Blocks (units) <sup>1</sup>	Current	New
0 - 42	\$2.84	\$3.02	0 - 168	\$2.84	\$3.02
43 - 97	\$2.88	\$3.06	169 - 402	\$2.88	\$3.06
98 or more	\$2.94	\$3.12	403 or more	\$2.94	\$3.12

Recycled Water Usage Fee <sup>1</sup> (3" & 4" meter)			Recycled Water Usage Fee <sup>1</sup> ( > 6" meter)		
Consumption Blocks (units) <sup>1</sup>	Current	New	Consumption Blocks (units) <sup>1</sup>	Current	New
0 - 403	\$2.84	\$3.02	0 - 7,916	\$2.84	\$3.02
404 - 820	\$2.88	\$3.06	7,917 - 16,357	\$2.88	\$3.06
821 or more	\$2.94	\$3.12	16,358 or more	\$2.94	\$3.12

## Other Charges

	Current	New
Energy Charges <sup>2</sup>	\$0.044	\$0.045

## Footnotes

1. Recycled water rates are based on meter size and the number of recycled water units used each month. A unit of recycled water equals 748 gallons.
2. The Energy Charge represents the cost of energy required to pump each unit of recycled water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. This increase is necessary due to increased power costs to the District.

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## Notice of Commercial Sewer Rate Increase

### NOTICE OF INCREASED SEWER RATES AND CHARGES EFFECTIVE ON SEWER SERVICE BEGINNING IN JANUARY 2012

Dear Customer,

An overall rate increase of 7.5% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2011. The new sewer rates and charges will apply to service billed beginning February 1, 2012 and, depending on your billing cycle, may apply to service as early as the beginning of January, 2012. **This letter provides a 30-day prior notice of rate increases.**

The District is a revenue neutral public agency. Your sewer bill reflects only those charges sufficient to support your sewer service. To continue providing sewer services, the District must adjust its rates for service, implement certain rate increases and pass-through higher costs to its customers based on rate changes from the District's sewage treatment and disposal providers. For instance, while the County of San Diego decreased its rates for service, this positive action was offset by a 9.4% increase from the City of San Diego for wastewater disposal.

On August 24, 2009, the District adopted a five-year schedule of rates in compliance with applicable provisions of law. The rate increases herein noticed reflect a pass-through increase of 7.5%. One hundred percent of this increase is the result of higher service rates for wastewater disposal from the City of San Diego. The sewer rate increase is within the limits contemplated in the five-year schedule of rates.

For its part, the District has worked diligently to reduce internal costs to minimize the impact of higher costs from public sewage treatment and disposal agencies. For more information, please visit [www.otaywater.gov](http://www.otaywater.gov) or contact us via email at [info@otaywater.gov](mailto:info@otaywater.gov).

*Dedicated to Community Service*

# Rate Increase Notice

## Non-Residential Sewer Rates

To meet State of California requirements, customers must pay their fair share of sewer costs. The Otay Water District is required to determine sewer rates in accordance with the State's Revenue Program Guidelines. The formula takes into consideration the cost associated with the Daily Flow, Chemical Oxygen Demand and the removal of Suspended Solids. The Chemical Oxygen Demand and Suspended Solids determine whether the Strength Factor is high, medium, or low, consistent with the State Water Resources Control Board's guidelines.

Monthly bills are calculated based on Assigned Service Units (ASU). One ASU is equal to the demand placed on the system by a residential unit. ASUs are calculated by multiplying the Daily Flow by the Strength Factor.

$$\text{Daily Flow} \times \text{Strength Factor} = \text{Assigned Service Unit}$$

### Strength Factors

1.0	Churches
1.0	Low Strength Commercial
1.238	Medium Strength Commercial
2.203	High Strength Commercial

	<u>Current</u>	<u>New</u>
Rate per ASU	\$ 39.39	\$41.75

The sewer bill is then calculated by multiplying the ASUs by the rate per ASU. This charge is increasing by \$2.36 per ASU from \$39.39 to \$41.75.

A \$54 per ASU assessment will no longer be collected on the property tax bill for sewer debt. The state sewer loan was paid in full in 2011.

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



## Notice of Master Metered Water Rate Increase

Otay Water District  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978  
619-670-2222

[www.otaywater.gov](http://www.otaywater.gov)

### NOTICE OF INCREASED WATER RATES AND CHARGES EFFECTIVE ON WATER USAGE BEGINNING IN JANUARY 2012

Dear Customer,

An overall rate increase of 7.7% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2011. The new water rates and charges will apply to water billed beginning February 1, 2012 and, depending on your billing cycle, may apply to water usage as early as the beginning of January, 2012. **This letter serves as a 30-day notice of rate increases.**

The District is a revenue neutral public agency. To continue providing reliable high-quality water services, the District must implement rate increases and must pass-through to its customers higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD), San Diego County Water Authority (CWA), and the City of San Diego.

On August 24, 2009, the District adopted a five-year schedule of rates in compliance with applicable provisions of law. The rate increase herein noticed is a one hundred percent pass-through from the District's water wholesalers. This increase is within the limits contemplated in the five-year schedule of rates.

Water wholesalers are raising their water rates to obtain new and more reliable supplies of water. These include more reliable emergency resources, agricultural to urban water transfers, canal lining projects, as well as potential new sources of water supplies including ocean water desalination. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

For its part, the District has worked diligently to reduce internal costs, including reducing the number of full-time employees and has instituted efficiency programs such as automated meter reading and online bill pay services, which minimize the impact of higher water costs from wholesalers.

Customers who are interested in learning ways in which they can reduce their water usage to minimize the effects of this increase can visit the District's Conservation page at [www.otaywater.gov](http://www.otaywater.gov). Additionally, the Water Conservation Garden located in Rancho San Diego is free to the public and offers various conservation exhibits and classes. For more information about the Garden, visit [www.thegarden.org](http://www.thegarden.org).

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

*Dedicated to Community Service*

## Consumption Blocks by Unit and System Fees by Meter Size

### Master Metered

Consumption Blocks (units) <sup>1</sup>	Current	New
0 - 4	\$2.29	\$2.43
5 - 9	\$2.97	\$3.15
10 or more	\$4.57	\$4.85

Meter Size	Current			New		
	System Fee <sup>2</sup>	MWD/CWA <sup>2</sup>	Total	System Fee <sup>2</sup>	MWD/CWA <sup>2</sup>	Total
3/4"	\$14.58	\$11.82	\$26.40	\$14.58	\$14.01	\$28.59
1"	\$18.52	\$19.69	\$38.21	\$18.52	\$23.33	\$41.85
1 1/2"	\$28.37	\$39.44	\$67.81	\$28.37	\$46.74	\$75.11
2"	\$40.18	\$63.07	\$103.25	\$40.18	\$74.74	\$114.92
3"	\$71.68	\$126.14	\$197.82	\$71.68	\$149.48	\$221.16
4"	\$107.13	\$197.11	\$304.24	\$107.13	\$233.58	\$340.71
6"	\$205.59	\$394.17	\$599.76	\$205.59	\$467.09	\$672.68
8"	\$323.73	\$630.71	\$954.44	\$323.73	\$747.39	\$1,071.12
10"	\$461.57	\$903.58	\$1,368.15	\$461.57	\$1,070.74	\$1,532.31

### Other Charges

	Current	New
Energy Charges <sup>3</sup>	\$.044	\$0.045
Improvement District <sup>4</sup> No. 3	\$0.19	\$0.20
Improvement District <sup>4</sup> No. 10	\$0.27	\$0.27
La Presa <sup>4</sup>	\$0.08	\$0.08

### Footnotes

1. Consumption is the water usage divided by the number of dwellings served. This charge is a per unit charge based on water consumption. A unit of consumption is equal to 748 gallons of water.
2. These fees are based on the meter size. The MWD/CWA fee is increasing to reflect the full pass-through of this cost by the District's water suppliers.
3. The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This is charged proportionally for every foot of elevation over 450 feet. This increase is necessary due to increased power cost to the District.
4. This charge is a per unit charge and your bill will vary based on water consumption.

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