

OTAY WATER DISTRICT  
FINANCE, ADMINISTRATION AND COMMUNICATIONS  
COMMITTEE MEETING  
and  
SPECIAL MEETING OF THE BOARD OF DIRECTORS

2554 SWEETWATER SPRINGS BOULEVARD  
SPRING VALLEY, CALIFORNIA  
BOARDROOM  
**WEDNESDAY**  
**April 18, 2007**  
**4:00 P.M.**

This is a District Committee meeting. This meeting is being posted as a special meeting in order to comply with the Brown Act (Government Code Section §54954.2) in the event that a quorum of the Board is present. Items will be deliberated, however, no formal board actions will be taken at this meeting. The committee makes recommendations to the full board for its consideration and formal action.

**AGENDA**

1. ROLL CALL
2. 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

**DISCUSSION ITEMS**

3. APPROVE THE IMPLEMENTATION OF A WINTER-CONSUMPTION BASED SEWER CHARGE METHODOLOGY FOR RESIDENTIAL SEWER CUSTOMERS AND COMMERCIAL SEWER CUSTOMERS WITHOUT A SEPARATE IRRIGATION METER (BELL) [20 minutes]
4. ADOPT THE 2007/2008 OTAY WATER DISTRICT LEGISLATIVE PROGRAM (BUELNA) [10 minutes]
5. ADJOURNMENT

BOARD MEMBERS ATTENDING:  
Mark Robak, Chair  
Larry Breifelder

Larry Breitfelder

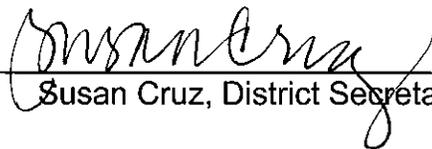
All items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

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 April 13, 2007 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 meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on April 13, 2007.

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



# AGENDA ITEM 3

## STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	May 2, 2007
SUBMITTED BY:	Rita Bell, Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:	Joseph R. Beachem, Chief Financial Officer (Chief)		
APPROVED BY:	German Alvarez, Assistant General Manager (Asst. GM):		
SUBJECT:	Approve Implementing a Winter-Consumption Based Sewer Charge Methodology for Residential Sewer Customers and for Commercial Sewer Customers without a Separate Irrigation Meter		

### GENERAL MANAGER'S RECOMMENDATION:

That the Board approve implementing a winter-consumption based sewer charge for residential sewer customers and for commercial sewer customers without a separate irrigation meter.

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

See Attachment A.

### PURPOSE:

To obtain approval to change the methodology from a flat rate to a winter-consumption based sewer charge for residential sewer customers and to use winter-consumption to estimate non-irrigation use for commercial sewer customers without a separate irrigation meter.

### ANALYSIS:

#### **Reason for Change**

Both Best Management Practices (BMP) and the District's Strategic Goals support the recommendation to implement a conservation-based rate structure for sewer customers. This new structure is revenue neutral to the District however; it will encourage water conservation and bring more equity to customers so that each customer pays their fair share based on usage.

#### **Current Methodology**

Currently, the District has a flat monthly sewer rate for its residential customers and uses the state guideline of "Service Unit Assignment Formula", which converts higher strength uses

into an Assigned Service Unit (ASU) for commercial customers. One residential customer is equivalent to one ASU.

Commercial customers, with a separate irrigation meter, pay their pro-rated share of cost for sewer services based on both the estimated strength and non-irrigation flow of their discharge (calculated by discounting consumption by 15% to recognize not all water consumption flows to the sewer). These commercial customers already have a conservation rate structure consistent with the BMP while residential customers pay a flat fee regardless of their water consumption. This is not supportive of conservation nor is it the most equitable way to distribute the cost to customers.

For the few commercial customers that were not required to have an irrigation meter, the charge was based on 85% of total water usage. In place of this methodology the proposal is to implement the winter-averaging, less 15% for non-sewer flow, to make the sewer bill calculation more equitable.

#### **Proposed Methodology**

To be equitable, most agencies with a variable sewer charge look at only winter water consumption to minimize the affect of hot weather and outdoor water consumption which does not flow through the sewer system and therefore, should not be included in the distribution of charges amongst customers. It is also customary to give residential customers the same 15% discount as commercial customers, recognizing that not all water consumption flows into the sewer system. Staff is recommending this change as a part of the new methodology. In addition to being more equitable, this type of rate structure encourages conservation of water and this is one of the Strategic Plan Objectives 2.1.1.2 (attached).

Best Management Practices 11 (attached), regarding retail conservation pricing of water and sewer commodities, recognizes the need to establish a strong nexus between volume-related system cost and the volumetric commodity rate. The recommended rate structure suggests that no more than 30% of the total commodity charge be fixed and the balance should come from a variable charge based on consumption.

In the future, staff expects that noncompliance with the BMPs will have a negative impact on an agency's ability to obtain grants. Member of the California Urban Water Conservation Council (CUWCC) are pushing to have compliance with BMP 11 be a requirement for participation in various water related grants.

CUWCC was created to increase efficient water use statewide through partnerships among urban water agencies, public interest organizations, and private entities. The Council's goal is to integrate urban water conservation Best Management Practices into the planning and management of California's water resources.

Of the neighboring 28 sewer districts (including Otay), currently 18 have a flat rate structure and 10 have a water-consumption based rate structure. Based on a recently expanded and more comprehensive survey, (effective January 1, 2007) Otay is 14<sup>th</sup> of the 28 agencies or 50%, which meets the strategic performance measure. See Attachment B for details.

The overall effect of this rate structure change will be revenue neutral to the District. This new rate structure more equitably distributes the cost to sewer customers. Under the current methodology the fees for residential customers have no variability as it is a flat fee set at \$32.70 for both 3/4" and 1" meters. Under the proposed methodology, the fixed charge for 3/4" meters is set at \$9.60 and \$14.00 for 1" meters. The variable rate is proposed to be set at \$1.39 per hundred cubic feet (HCF), with a maximum of 30 HCF. This variable rate would be applied to the average consumption for each customer for the months of December through March, less a 15% discount to recognize the water that does not flow into the sewer system.

Under the proposed methodology, the new maximum bill will be \$51.30 for 3/4" meters and \$55.70 for 1" meters, an increase of \$18.60 and \$23.00, respectively. The average customer bill will remain at \$32.70 (\$38.03 including availability charges and sewer state loan assessment collected on the property tax bill). With this new structure, the District will achieve the goal of collecting the same amount of revenue as the in the past, and meet the BMP by collecting 30% of the revenue from a fixed component and 70% from a variable component.

The following chart shows the results of the proposed change to the rate structure. Of the 4,500 residential sewer customers, 3,400 are Otay Water District customers and 1,100 are Helix Water District customers. Consumption records of Helix customers will be obtained through an agreement with the Helix Water District. Approximately 2,074 customers will see an increase while approximately 2,422 will see a decrease or stay at the same amount. Again, this change generates no net additional revenues to the District, but is only a redistribution of cost based on use.

Percentage Change	Number of Sewer Accounts	% of Accounts
>60% to 70%	52	1.2%
>50% to 60%	730	16.2%
>40% to 50%	166	3.7%
>30% to 40%	198	4.4%
>20% to 30%	237	5.2%
>10% to 20%	311	6.9%
>5% to 10%	204	4.5%
>0% to 5%	176	3.9%
0% change	207	4.6%
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>(20%) to (30%)	441	9.8%
>(30%) to (40%)	330	7.3%
>(40%) to (50%)	232	5.1%
>(50%) to (60%)	84	1.9%
<b>Total</b>	<b>4,516</b>	<b>100%</b>

#### **Pending Actions**

An annual process will be established during each budget build to determine the cost of sewer service to the customers. From this, the recommended fixed and variable charges will be determined and presented to the Board with the budget. After the budget is adopted, the recommended rates will be brought forward to rate payers in a Proposition 218 hearing. After the hearing the Board can then set the rates for the upcoming calendar year.

#### **FISCAL IMPACT:**

This is a revenue neutral change to the fee structure. Although on an individual basis, high consumption customers will pay more for their sewer service and low consumption customers will pay less.

#### **STRATEGIC GOAL:**

To explore adopting a conservation-based rate plan gradually increasing the fixed rate percentage is Objective 2.1.1.2 of the Strategic Plan.

#### **LEGAL IMPACT:**

The change to the rate structure will be subject to a Proposition 218 hearing.

A handwritten signature in black ink, appearing to read "Mark Watt", written over a horizontal line.

**General Manager**

Attachments:

- A) Committee Action Form
- B) Sewer Rate Comparison Chart
- C) BMP 11
- D) Strat Plan Objective 2.1.1.2
- E) Presentation



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Approve Implementing a Winter-Consumption Based Sewer Charge for Residential Sewer Customers and for Commercial Sewer Customers without a Separate Irrigation Meter
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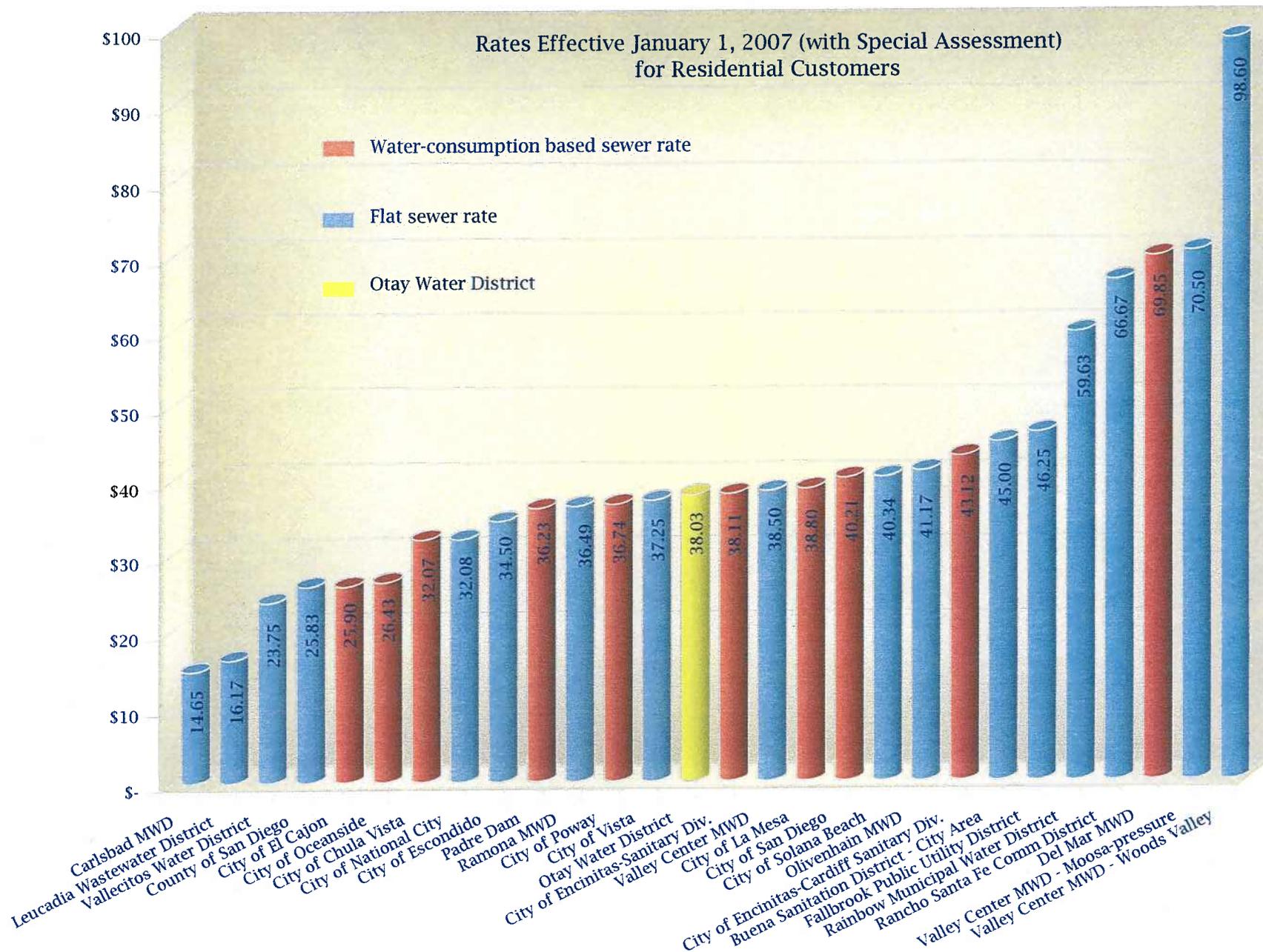
### COMMITTEE ACTION:

The Finance, Administration, and Communications Committee recommends that the Board approve implementing a winter-consumption based sewer charge for residential sewer customers and for commercial sewer customers without a separate irrigation meter.

### NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.

### Sewer Rate Comparison in San Diego County



## BMP 11 REVISION

**11. Retail Conservation Pricing****Part I - Retail Water Service Rates****A. Implementation**

BMP 11 promotes water conserving retail water rate structures. BMP 11 recognizes that each agency or water enterprise fund has a unique rate setting system and history. When creating a rate case, professional judgments are made to determine whether costs are accounted to a variable or fixed cost center by the staff of the agency. The final water rate case is an accumulation of all the decisions and judgments made by staff and supplemented by the financial projections leading an agency to establish its final water rate recommendation. BMP 11 is not intended to supplant this process, but rather to reinforce the need for Water Agencies to establish a strong nexus between volume-related system costs and volumetric commodity rates.

In *Bighorn-Desert View Water Agency v. Virjil* the California Supreme Court established that water delivery is a property related service as defined in Article XIII D of the California Constitution and, therefore, water rates charged for water delivery are subject to Proposition 218's\* public notification and initiative provisions embodied in Articles XIII C and D of the California Constitution. In addition, Article XIII D requires that fees for property related services be "determined in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided. No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel." The Council deems BMP 11 to be compatible with these requirements. However, should a case arise in which a Water Agency's good faith efforts were unable to meet BMP 11's requirements due, for example, to a successful challenge using Proposition 218's initiative process, this would be grounds for exemption, as specified in MOU Section 4.5.

**Definition:** Conservation pricing provides economic incentives (a price signal) to customers to use water efficiently. Because conservation pricing requires a volumetric rate, metered water service is a necessary condition of conservation pricing. Unmetered water service is inconsistent with the definition of conservation pricing.

Conservation pricing requires volumetric rate(s). While this BMP defines a minimum percentage of water sales revenue from volumetric rates, the goal of this BMP is to recover the maximum amount of water sales revenue from volumetric rates that is consistent with utility costs (which may include utility long-run marginal costs), financial stability, revenue sufficiency, and customer equity.

In addition to volumetric rate(s), conservation pricing may also include one or more of the following other charges:

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\* Proposition 218 was approved by California voters in November 1996.

## BMP 11 REVISION

1. Service connection charges designed to recover the separable costs of adding new customers to the water distribution system.
2. Monthly or bimonthly meter/service charges to recover costs unrelated to the volume of water delivered or new service connections and to ensure system revenue sufficiency.
3. Special rates and charges for temporary service, fire protection service, and other irregular services provided by the utility.

The following volumetric rate designs are potentially consistent with the above definition:

1. **Uniform rate** in which the volumetric rate is constant regardless of the quantity consumed.
2. **Seasonal rates** in which the volumetric rate reflects seasonal variation in water delivery costs.
3. **Tiered rates** in which the volumetric rate increases as the quantity used increases.
4. **Allocation-based rates** in which the consumption tiers and respective volumetric rates are based on water use norms and water delivery costs established by the utility.

**Adequacy of Volumetric Rate(s):** A retail agency's volumetric rate(s) shall be deemed sufficiently consistent with the definition of conservation pricing when it satisfies at least one of the following two options.

**Option 1:** Let  $V$  stand for the total annual revenue from the volumetric rate(s) and  $M$  stand for total annual revenue from customer meter/service (fixed) charges, then:

$$\frac{V}{V + M} \geq 70\%$$

This calculation shall only include utility revenues from volumetric rates and monthly or bimonthly meter/service charges. It shall not include utility revenues from new service connection charges; revenue from special rates and charges for temporary service, fire protection, or other irregular services; revenue from grants or contributions from external sources in aid of construction or program implementation; or revenue from property or other utility taxes.

**Option 2:** Use the rate design model included with the Municipal Water and Wastewater Rate Manual published by the Canadian Water & Wastewater Association with the signatory's water system and cost information to calculate  $V'$ , the uniform volume rate based on the signatory's long-run incremental cost of service, and  $M'$ , the associated meter charge. [Let HCF be annual water delivery (in hundred cubic feet).] A signatory's

## BMP 11 REVISION

volumetric rate(s) shall be deemed sufficiently consistent with the definition of conservation pricing if:

$$\frac{V}{V + M} \geq \frac{V'}{V' + M'}$$

The rate design model can be downloaded at [www.cuwcc.org/technical](http://www.cuwcc.org/technical).

This calculation shall only include utility revenues from volumetric rates and monthly or bimonthly meter/service charges. It shall not include utility revenues from new service connection charges; revenue from special rates and charges for temporary service, fire protection, or other irregular services; revenue from grants or contributions from external sources in aid of construction or program implementation; or revenue from property or other utility taxes.

### *Exemptions and At Least As Effective As*

The exemption provisions in MOU Section 4.5 apply to BMP 11 in the same way they apply to other BMPs. Water supplier signatories meeting at least one of the three exemption conditions in MOU Section 4.5 may submit an exemption to the Council per the requirements of the MOU.

Water supplier signatories may pursue an "At Least As Effective As" implementation of BMP 11 per the Preamble to Exhibit 1 of the MOU. Water supplier signatories adopting an "At Least As Effective As" implementation of BMP 11 may adopt rates that do not meet the requirements of either Option 1 or Option 2 described in Section A provided the resulting water savings are at least as effective as those options.

### **BMP Refinement**

Within five years of the adoption of this BMP revision, the Council shall reconvene the BMP 11 Revision PAC to 1) assess rate of compliance with the revised BMP, 2) identify barriers to implementation, 3) assess its compatibility with Proposition 218 requirements, 4) initiate a water savings assessment appropriate to the data and project resources available to the Council, and 5) develop further refinements as needed to improve the BMP's effectiveness.

## **B. Implementation Schedule**

### **Agencies with fully metered service areas**

- a) Agencies signing the MOU prior to [DATE OF REVISION], implementation shall commence no later than July 1, 2007.
- b) Agencies signing the MOU after [DATE OF REVISION], implementation shall commence no later than July 1 of the year following the year the Agency signed the MOU.

## BMP 11 REVISION

### **Agencies with partially metered service areas<sup>1</sup>**

- a) Agencies signing the MOU prior to December 31, 1997, implementation shall commence no later than July 1, 2010. [One year after Agency is to complete meter installation per BMP 4.]
- b) Agencies signing the MOU after December 31, 1997, implementation shall commence no later than July 1, 2013, or within seven years of signing the MOU, but in no case later than the metering deadline specified by state law. [One year after Agency is to complete meter installation per BMP 4.]

### **C. Coverage Requirements**

Agency shall maintain a rate structure that satisfies at least one of the options specified in Section A. Conformance to Option 1 or Option 2 will first be assessed using the revenue from the most recent year. If the most recent year does not satisfy the option, the average revenue from the three (3) most recent years will be used.

### **D. Requirements for Documenting BMP Implementation**

- a) Report the rate structure in effect for each customer class for the reporting period.
- b) Report the annual revenue derived from volume charges for each retail customer class, as defined in Section A.<sup>2</sup>
- c) Report the annual revenue derived from monthly or bimonthly meter/service charges for each retail customer class, as defined in Section A.
- d) If agency does not comply with Option 1 in Section A, report v' and m' as determined by the Canadian Water & Wastewater Association rate design model described in Section A.
- e) If agency does not comply with Option 1 in Section A, submit to the Council the completed Canadian Water & Wastewater Association rate design model described in Section A.

### **E. Criteria to Determine BMP Implementation Status**

An agency shall be in compliance with BMP 11 provided the following is true for the Agency's total revenue from all retail customer classes within four years after [date of revision]:

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<sup>1</sup> Agencies following this schedule must be on the Council's list of Agencies with partially metered service areas.

<sup>2</sup> Note: compliance with BMP 11 will be determined based on the Agency's total revenue from all retail customer classes.

BMP 11 REVISION

For Option 1:  $V \geq 70\% \times 1.00$

For Option 2:  $V \geq V' \times 1.00$

The following schedule is intended to guide agencies in implementing this revision in phases:

YEARS AFTER START YEAR	FOR OPTION 1	FOR OPTION 2
1	$V \geq 70\% \times 0.70$	$V \geq V' \times 0.70$
2	$V \geq 70\% \times 0.80$	$V \geq V' \times 0.80$
3	$V \geq 70\% \times 0.90$	$V \geq V' \times 0.90$
4	$V \geq 70\% \times 1.00$	$V \geq V' \times 1.00$

An agency shall not be required to increase the volumetric component of the rate structure by more than 10% in any single year until the full implementation is achieved.

**F. Water Savings Assumptions**

Not quantified

**Part II – Retail Wastewater Rates**

**A. Implementation**

**Note:** The following definition of conservation pricing for sewer service is already in BMP 11. No substantive changes are proposed other than changes to the implementation schedule to make it consistent with the schedule in Part I.

This section applies to Water Agencies that provide retail sewer service. Water Agencies that do not provide retail sewer service shall make good faith efforts to work with sewer agencies so that those sewer agencies adopt conservation pricing for sewer service.

Conservation pricing of sewer service provides incentives to reduce average or peak use, or both. Such pricing includes: rates designed to recover the cost of providing service, and billing for sewer service based on metered water use. Conservation pricing of sewer service is also characterized by one or more of the following components: rates in which the unit rate is the same across all units of service (uniform rates); rates in which the unit rate increases as the quantity of units purchased increases (increasing block rates); rates in which the unit rate is based upon the long-run marginal cost or the cost of adding the next unit of capacity to the sewer system. Rates that charge customers a fixed amount per billing cycle for sewer service regardless of the units of service consumed do not satisfy the definition of conservation pricing of sewer service. Rates in which the typical bill is determined by high fixed charges and low commodity charges also do not satisfy the definition of conservation pricing of sewer service.

BMP 11 REVISION

**B. Implementation Schedule**

Same as Part I.

**C. Coverage Requirements**

Agency shall maintain rate structure for sewer service consistent with definition of conservation pricing for sewer service in Part II, Section in A.

**D. Requirements for Documenting BMP Implementation**

- a) Report annual revenue requirement for sewer service by customer class for the reporting period.
- b) Report annual revenue for sewer service from commodity charges by customer class for the reporting period.
- c) Report rate structure by customer class for sewer service.

**E. Criteria to Determine BMP Implementation Status**

Agency rate design for sewer service shall be consistent with definition of conservation pricing for sewer service in Section A.

**F. Water Savings Assumptions**

Not quantified

**Wholesale Water Rates**

Wholesale water rates will probably be addressed in BMP 10 – Wholesale Agency Assistance Programs.

**Scorecard**

Status: Open | On Schedule 

— Financial

**Strategy**

— Financial Planning

**Goal**

Establish the District's long-term financial plans

**Objective: 2.1.1.2**

Explore adopting a Conservation-based Rate Plan gradually increasing the fixed rate percentage

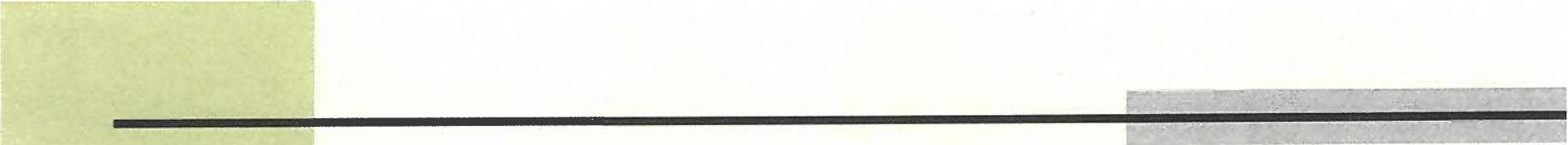
- Lead: JOSEPH BEACHEM      Planned Start: 07/01/2006      Planned End: 06/30/2007      Priority: 3      Budget: \$0.00 -

[Qtr Reports](#) | [Details](#) | [Notes](#) | [Measurement Strategy](#) | [Description](#)

**Quarterly Reports:**

Prev Next

Qtr	Report	% Complete	Status
2	Staff has been involved in the BMP11 meetings on a state wide level. Staff will evaluate adjustments in this budget cycle and also evaluate the establishment of winter averaging for sewer billing.	10 %	On Schedule
1	Staff has been involved with the BMP 11 discussions. This budget cycle will include a review and plan for this objective.	10 %	On Schedule



# Winter-Consumption Based Sewer Charge Methodology

Otay Water District  
Board Presentation  
May 2, 2007

# Reasons to Change Methodology

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- Best Management Practice
- Strategic Plan Objective
- Encourages Water Conservation
- More Equitable to Customers
- Maintain Eligibility for Grants

# Current Methodology

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- Commercial Customers pay based on strength and flow (less 15%)
  - With a separate irrigation meter only non-irrigation flow is used in the calculation.
  - With no separate irrigation meter all flow is used in the calculation
- Residential Customers pay a flat fee of \$32.70 per month

# Proposed Methodology

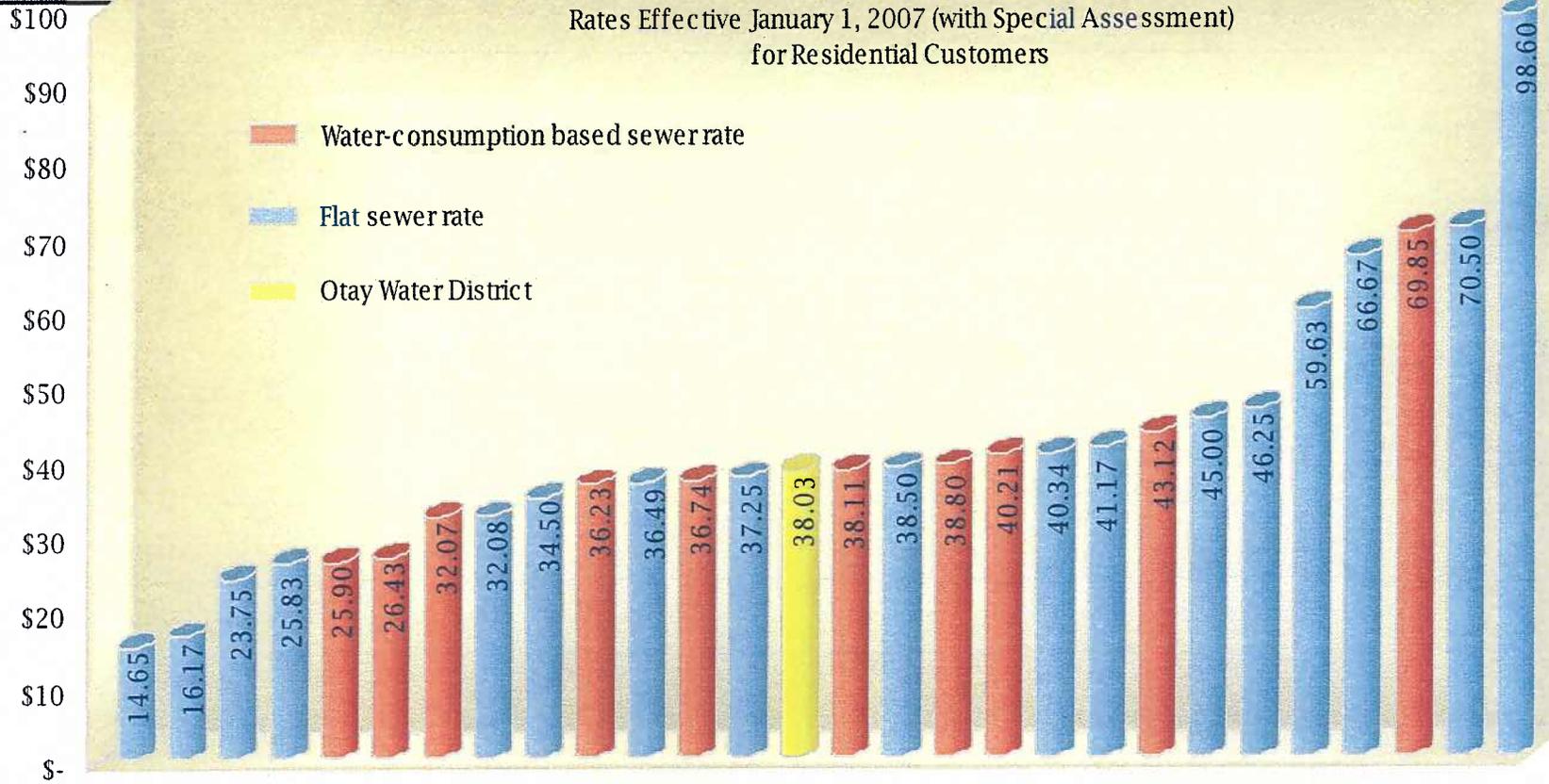
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- Commercial customers with separate irrigation meter, methodology stays the same
- Commercial customers without separate irrigation meter, consumption will be based their 4 month winter average
- Residential customers consumption will be based on their 4 month winter average

## Sewer Rate Comparison in San Diego County

Rates Effective January 1, 2007 (with Special Assessment)  
for Residential Customers

- Water-consumption based sewer rate
- Flat sewer rate
- Otay Water District



Carlsbad MWD  
 Leucadia Wastewater District  
 Vallecitos Water District  
 County of San Diego  
 City of Escondido  
 City of El Cajon  
 City of Oceanside  
 City of Chula Vista  
 City of National City  
 City of Escondido  
 Padre Dam  
 Ramona MWD  
 City of Poway  
 City of Vista  
 Otay Water District  
 City of Encinitas Sanitary Div.  
 Valley Center MWD  
 City of La Mesa  
 City of San Diego  
 City of Solana Beach  
 Olivewood MWD  
 City of Encinitas-Cardiff Sanitary Div.  
 Buena Sanitation District - City Area  
 Fallbrook Public Utility District  
 Rainbow Municipal Water District  
 Rancho Santa Fe Comm. District  
 Valley Center MWD - Moosa-pressure  
 Valley Center MWD - Woods Valley

# Revenue Neutral

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- Average residential bill remains at \$32.70
  - Variable Component - Residential cap of 30 HCF, billed at \$1.39 per unit after 15% reduction of consumption
  - Fixed Component - Proposed monthly system fee of \$9.60 for ¾" meter and \$14.00 for 1" meter
- 30% fees collected from fixed fee and 70% collected from variable fee (BMP 11 recommendation)
- Total revenue remains the same

# Change to Customers

<b>Percentage Change</b>	<b>Number of Sewer Accounts</b>	<b>% of Accounts</b>
>60% to 70%	52	1.2%
>50% to 60%	730	16.2%
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>(50%) to (60%)	84	1.9%
<b>Total</b>	<b>4,516</b>	<b>100%</b>

# Process

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- May 2<sup>nd</sup> - Request Board approval of change in methodology
- May 29<sup>th</sup> – Request Board approval of FY 2008 budget with new methodology
- October – Hold Prop 218 hearing then request adoption of ordinance changes
- January 1<sup>st</sup> - Implement new rate structure 1/1/2008



Questions???

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# AGENDA ITEM 4

## STAFF REPORT

TYPE MEETING: Regular Board	MEETING DATE: May 2, 2007
SUBMITTED BY: Armando Buelna, <i>AB</i> Communications Officer	W.O./G.F. NO: DIV. NO. All
APPROVED BY:	
SUBJECT: 2007/2008 Legislative Program	

### GENERAL MANAGER'S RECOMMENDATION:

That the Board of Directors adopt the 2007/2008 Otay Water District Legislative Program.

### PURPOSE:

To provide direction and guidelines to staff in the formulation of the District's response to legislative initiatives on issues affecting the District prior to and during the 2007/2008 legislative session.

### COMMITTEE ACTION:

See Attachment A

### BACKGROUND

Each legislative session, representatives to the California legislature sponsor some 2,000 to 3,000 bills or significant resolutions. Many of these measures become law and affect special districts in substantive ways. The same is true with each session of the House of Representatives or the Senate.

Legislative programs establish guidelines and policy direction that can be used by staff in monitoring legislative activity, and facilitate actions that can be taken to quickly in response to legislative initiatives.

The principles provided in the 2007/2008 Legislative Program are meant to serve as guidelines for staff in formulating a consistent District response to legislative initiatives. This is particularly helpful in dealing with time sensitive matters such as last minute amendments should calls or letters to legislators be needed.

Sensitive or controversial policy matters will nevertheless be brought to your board for deliberation and direction.

**FISCAL IMPACT:**



None.

**STRATEGIC GOAL:**

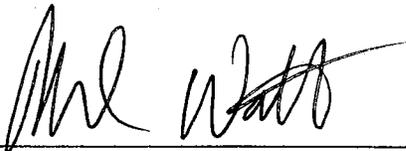
This project is consistent with the following District strategic goals:

Planning for Infrastructure and Supply  
Stewards of Public Infrastructure

**LEGAL IMPACT:**

\_\_\_\_\_

None.



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

**Attachments**

Attachment A - *Committee Action Report*

Attachment B - *2007/2008 Otay Water District Legislative Program*



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	2007/2008 Legislative Program
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### COMMITTEE ACTION:

### NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.

# Otay Water District 2007-2008 Legislative Program

Legislative Policy Guidelines  
Effective Date:

## Introduction

The Otay Water District (District) is a special purpose agency first established in 1956 that today provides water, wastewater and recycled water services to its customers.

The District faces unprecedented growth necessitating the acquisition and development of water treatment and supply opportunities, infrastructure expansion and improvements, and enhanced customer services. It is also operating in an environment of escalating costs, increased regulatory compliance, customer demands for continuously improving services and competition for resources.

In this dynamic environment, the District strives to accomplish its mission of providing safe, reliable, affordable water, wastewater and recycled water services to its customers with innovation, in a cost efficient, water wise and environmentally responsible manner.

## Legislative Program

1. Develop and update a list of bills that may affect the District and its customers.
2. Prepare regular updates accessible to the Board of Directors, the general manager and the senior management team.
3. Develop for Board of Directors' approval a legislative program for state and federal legislative sessions.
4. Represent the District before state and federal legislative and administrative bodies.
5. Sponsor or promote legislation which serves the District and its customers.

## Legislative Policy Guidelines

The Otay Water Legislative Policy Guidelines for the 2007-2008 Legislative Sessions include the following:

### Water Services

*Support efforts to:*

- a. Provide a comprehensive plan to address Bay-Delta environmental issues.
- b. Study and promote "Around-the-Delta" alternatives as a way to improve water quality or water transport and reduce the possibility of levee failure.
- c. Support efforts to promote additional surface and underground water storage infrastructure to ensure water availability and quality.

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- d. Study Global Climate Change and its potential impact on the snow-pack, rising sea levels, increased salinity in the Delta, the possibility of reduced precipitation or more severe storms.
- e. Provide financial support to projects designed to mitigate the potential negative impacts of Global Climate Change on water supply reliability.
- f. Provide ongoing federal and state funding for the California Bay-Delta.
- g. Support implementation of the Quantitative Settlement Agreement.
- h. Provide reliable water supplies to meet California's short and long-term needs.
- i. Develop a comprehensive state water plan that balances California's competing water needs and results in a reliable supply of high-quality water for the San Diego region.
- j. Provide conveyance and storage facilities that are cost effective, improve the reliability and quality of San Diego region's water supplies as well as the Bay-Delta region.
- k. Equitably allocates costs of the Bay-Delta solution to all those benefiting from improvements.
- l. Support agriculture to urban water transfers.
- m. Promote desalination pilot studies and projects.
- n. Reduce restrictions on recycled water usage.
- o. Reduce restrictions on injecting recycled water into basins where there is no direct potable use.
- p. Provide financial incentives for recharge of groundwater aquifers using recycled water.
- q. Encourage feasibility studies of water resource initiatives.
- r. Increase funding for infrastructure and grant programs for construction, modernization or expansion of water, wastewater treatment, reclamation facilities and sewer systems.
- s. Provide funding for water recycling, groundwater recovery and recharge, surface water development projects and seawater desalination.
- t. Mandate uniform or similar regulations and procedures by state agencies in the processing and administering of grants and programs.
- u. Streamline grant application procedures.
- v. Limit the availability, or prohibit the installation, of water softening appliances that discharge brine to the sewer systems feeding treatment plants that produce recycled water.

### *Oppose efforts to:*

- a. Make urban water supplies less reliable or substantially increase the cost of imported water without also improving the reliability and/or quality of the water.
- b. Create unrealistic or costly water testing protocol.
- c. Create unrealistic or costly to obtain water quality standards for recycled water or storm water runoff.
- d. Restrict use of recycled water for groundwater recharge.
- e. Disproportionately apportion costs of water.
- f. Establish new water or recycled water fees solely to recover State costs without also providing some benefit.

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### Financial

#### *Support efforts to:*

- a. Support efforts to clarify notification procedures, who may file a protest, how to count multiple votes on one property, and other provisions of Proposition 218 in the wake of the Bighorn decision.
- b. Require the federal government and State of California to reimburse special districts for all mandated costs or regulatory actions.
- c. Give special districts the discretion to cease performance of unfunded mandates.
- d. Provide for fiscal reform to enhance the equity, reliability, and certainty of special district funding.
- e. Provide incentives for local agencies to work cooperatively, share costs or resources.
- f. Provide for the stable, equitable and reliable allocation of property taxes.
- g. Continue to reform workers compensation.
- h. Authorize financing of water quality, water security, and water supply infrastructure improvement programs.
- i. Promote competition in insurance underwriting for public agencies.
- j. Establish spending caps on State of California overhead when administering voter approved grant programs.
- k. Require disbursement decisions in a manner appropriate to the service in question.
- l. Encourage funding infrastructure programs that are currently in place and that have been proven effective.
- m. Produce tangible results, such as water supply reliability or water quality improvement.
- n. Provide financial incentives to projects that increase reliability, diversity, and reduce green house gasses.

#### *Oppose efforts to:*

- a. Impose new, unfunded state mandates on local agencies and their customers.
- b. Undermine Proposition 1A - Protection of Local Government Revenues – and the comprehensive reform approved by voters in 2004.
- c. Reallocate special district reserves in an effort to balance the state budget.
- d. Reallocate special district revenues to fund infrastructure improvements in cities or counties.
- e. Usurp special district funds, reserves, or other state actions that force special districts to raise rates, fees or charges.
- f. Complicate existing conservation-based rate structures.
- g. Establish funding mechanisms that put undue burdens on local agencies or make local agencies *de facto* tax collectors for the state.
- h. Complicate compliance with SB 610 and SB 221.

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## **Governance**

### *Support efforts to:*

- a. Expand local autonomy in governing special district affairs.
- b. Establish reasonable standards for reporting director expenditures.
- c. Establish meaningful, targeted special district reform.
- d. Create consistent definitions of types of meetings directors may use for purposes of compensation.
- e. Set fair, consistent and reasonable standards for board member compensation.
- f. Promote comprehensive long-range planning.
- g. Assist local agencies in the logical and efficient extension of services and facilities to promote efficiency and avoid duplication of services.
- h. Streamline the Municipal Service Review Process or set limits on how long services reviews can take or cost.
- i. Establish clear and reasonable guidelines for appropriate community sponsorship activities.
- j. Reaffirm the existing "all-in" financial structure, or protect the San Diego County Water Authority voting structure based on population.

### *Oppose efforts to:*

- a. Assume the state legislature is better able to make local decisions that affect special district governance.
- b. Create one-size-fits-all approaches to special district reform.
- c. Unfairly target one group of local elected officials.
- d. Usurp local control from special districts regarding decisions involving local special district finance, operations or governance.
- e. Limit the board of directors' ability to govern the district.
- f. Create unfunded local government mandates.
- g. Create costly, unnecessary or duplicative oversight roles for the state government of special district affairs.
- h. Change the San Diego County Water Authority Act regarding voting structure, unless it is based on population.

## **Conservation**

### *Support efforts to:*

- a. Provide funding for water conservation programs.
- b. Encourage the installation of water conserving fixtures in new and existing buildings.
- c. Promote the environmental benefits of water conservation.
- d. Enhance efforts to promote water awareness and conservation.
- e. Offer incentives for landscape water efficiency devices such as ET controllers and soil moisture sensors.
- f. Develop landscape retrofit incentive programs and/or irrigation retrofit incentive programs.
- g. Permit local agencies adopting stricter ordinances requiring water wise landscaping for commercial and residential development.

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- h. Create tax credits for citizen or developers who install water wise landscapes.
- i. Create tax credits for citizens who purchase high efficiency clothes washers, dual flush and high-efficiency toilets and irrigation controllers above the State standards.
- j. Expand community-based conservation and education programs.
- k. Develop incentives for developers to install water wise landscape in new construction.
- l. Encourage large state users to conserve water by implementing water efficient technologies in all facilities both new and retrofit.

### *Oppose efforts to:*

- a. Weaken federal or state water efficiency standards.

### **Information Technology**

#### *Support efforts to:*

- a. Provide funding for information security upgrades.
- b. Provide incentives for utilities and other local agencies to work cooperatively, share costs or resources.
- c. Provide funding for communication enhancements, wireless communications, GIS or other technological enhancements.
- d. Encourage or promote compatible software systems.

### **Safety and Security**

#### *Support efforts which:*

- a. Fund infrastructure and facility security improvements.
- b. Protect state, local and regional drinking water systems from terrorist attack or deliberate acts of destruction, contamination or degradation.
- c. Provide funds to support training or joint training exercises.
- d. Equitably allocate security funding based on need, threats and/or population.
- e. Encourage or promote compatible communication systems.

#### *Oppose efforts that:*

- a. Create unnecessary, costly or duplicative security mandates.

### **Optimize District Effectiveness**

#### *Support efforts to:*

- a. Continue to reform Workers Compensation.
- b. Give utilities the ability to avoid critical peak energy pricing or negotiate energy contracts that save ratepayers money.
- c. Develop reasonable Air Pollution Control District engine permitting requirements.
- d. Reimburse or reduce local government mandates.
- e. Allow public agencies to continue offering defined benefit plans.

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- f. Result in predictable costs and benefits for employees and taxpayers.
- g. Eliminate abuses.
- h. Retain local control of pension systems.
- i. Be constitutional, federally legal and technically possible.

### *Oppose efforts to:*

- a. Restrict the use of, or reallocate, district property tax revenues to the detriment of special districts.
- b. Create unrealistic ergonomic protocol.
- c. Micromanage special district operations.
- d. Balance the state budget by allowing regulatory agencies to increase permitting fees.

### **Bi-National Initiatives**

#### Support efforts to:

- a. Promote and finance cross-border infrastructure development such as water pipelines, desalination plants or water treatment facilities.
- b. Develop cooperative and collaborative solutions to cross-border issues.
- c. Develop and enhance understanding of the interdependence of communities on both sides of the border with the goal of improved cross-border cooperation.