



NOTICE OF PUBLIC HEARING

In Connection with Proposed

INCREASES TO RATES, FEES, AND CHARGES FOR COMMERCIAL SEWER SERVICE

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

PROPOSED RATE INCREASES

An overall average sewer rate increase of 7.9 percent was considered by the District's Board of Directors as part of the annual budget review process. If adopted after the public hearing noticed above, the sewer rate increase is proposed to take effect with sewer service **billed** on or after January 1, 2014, and may apply to sewer service **used** as early as the beginning of December 2013.

The District has performed a Cost of Service Study and Rate Study (i.e. reviewed rates, fees, charges, costs, and the usage structure) and determined that increases in the rates, fees, and charges are necessary in order to recover sufficient revenues to operate and maintain the public sewer system. The proposed rate, fee, and charge structure will provide revenue that recovers costs reasonably borne in providing sewer service; are equitable to all customer classes; and are proportionate to the cost of providing the service to each customer class.

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

In addition to the pass-through costs, the District will consider authorizing, for a period of five years, overall average rate increases not to exceed 10 percent per year for all costs related to labor, benefits, materials, energy, maintenance,

administrative expenses, as well as other operational costs of providing sewer service, including amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

The proposed sewer rate increase will pass-through increases implemented by the District's sewer service providers and will allow the District to recover other increases in operational costs.

WHY ARE YOU RECEIVING THIS NOTICE?

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

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

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

WHAT DO SEWER RATES FUND?

Each end user of the public sewer system pays his or her fair share of the costs associated with sewage disposal, including energy or pumping costs, labor and benefits, materials, chemicals used in sewage treatment, administrative expenses, operations, construction and repair. Such costs include inspection and preventative maintenance of the public sewer system and facilities and replacement of aging sewer infrastructure.

The actions proposed will help protect the public’s investment in the public sewer system, reduce the possibility of pipeline breaks, blockages or spills, and keep rates affordable.

WHY ARE SEWER RATE CHANGES NECESSARY?

The District is a revenue-neutral public agency that provides sewer service to your community. “Revenue-neutral” means that sewer bills reflect only those rates, fees, and charges sufficient to support sewer service. To continue to provide reliable service, the District must implement and pass through to its customers the higher cost of sewer disposal services imposed by service providers. As a non-profit public agency, the District does not make a profit from providing sewer service, and it cannot operate at a loss.

OTHER PROPOSED ACTIONS

As a result of the Cost of Service and the Rate Study, the following changes will be made to Commercial Sewer Account rate calculations:

- The elimination of the Assigned Service Unit (ASU) calculation

- Creation of a system fee by water meter size and using the annual average water consumption for the usage charge
- Adjust commercial sewer strengths to match changes to current industry standards
- Match water meter equivalencies used for sewer base fees that are consistent with those of the American Water Works Association
- Eliminate special formulas for schools and churches and adopt a charge methodology comparable to commercial accounts

The District may also reclassify a commercial sewer customer’s Strength Factor classification, at the discretion of the District, from time to time or when made aware of the need to reclassify a business based on a change in that businesses’ operations.

WHAT CAN I DO TO SAVE MONEY?

Customers interested in learning ways in which they can reduce their sewer bills should look to minimizing their average annual water consumption. For program information and conservation tips, please visit the District’s Conservation page at www.otaywater.gov. Additionally, the Water Conservation Garden located on the campus of Cuyamaca Community College in Rancho San Diego is open to the public and offers various conservation exhibits, programs and classes. For more about the Water Conservation Garden, visit www.thegarden.org.

For information about the Otay Water District, please visit www.otaywater.gov or contact us via email at info@otaywater.gov.

PROPOSED COMMERCIAL SEWER RATES AND FEES

PROPOSED FORMULA FOR SEWER RATES AND FEES – ALL CUSTOMER CATEGORIES

To be consistent with industry standard, the District proposes to calculate a monthly bill based on the customer’s water use and the size of the customer’s water meter. The current calculation uses Assigned Service Units or ASUs, which is no longer the industry standard. The new method of calculating sewer bills is more equitable among customer classes. The current and proposed formulas for calculating Commercial Sewer Rates and Fees are as follows:

CURRENT COMMERCIAL SEWER BILL CALCULATION
Step 1: $ASU = ((Flow\ in\ Gallons\ Per\ Day^{(1)} \times .85^{(2)}) / 250^{(3)}) \times Strength\ Factor^{(4)}$
Step 2: $ASU \times Usage\ Fee^{(7)} = Sewer\ Billing$

PROPOSED COMMERCIAL SEWER BILL CALCULATION
 $(((Average\ Annual\ Consumption^{(5)} \times .85^{(6)}) \times Usage\ Fee^{(7)}) \times Strength\ Factor^{(4)}) + System\ Fee^{(8)}$

The special formulas used for schools will be eliminated. The proposed method for calculating a school’s sewer bill will be the same as all commercial accounts. Schools and churches will also be categorized as Low Strength Commercial customers.

CURRENT FORMULA FOR SEWER RATES AND FEES FOR SCHOOLS

The flow for public schools is based on the average daily attendance for the prior year as reported by schools to meet state requirements. For elementary schools, 50 students equal one ASU; for junior high schools, 40 students equal one ASU; for high schools, 24 students equal one ASU. For colleges, flow is based on the number of certified and classified staff, and students enrolled in each school session.

PROPOSED CURRENT FORMULA FOR SEWER RATES AND FEES FOR SCHOOLS

$(((Average\ Annual\ Consumption^{(5)} \times .85^{(6)}) \times Usage\ Fee^{(7)}) \times Strength\ Factor) + System\ Fee^{(8)}$

The District is required to determine sewer rates in accordance with the State’s Revenue Program Guidelines. The State Water Resources Control Board (SWRCB) has grouped commercial customers into various categories and has identified Strength Factors for each of these business categories. The standard of measure for Strength Factors is the typical sewer strength of a single-family residence (SFR). The Strength Factors established by the SWRCB are listed below and are used by the District in the calculation of commercial sewer rates. These factors are in terms of the strength relative to a SRF, with a SFR having a strength factor of 1.

The District proposes to adjust Strength Factors to match industry standard. The proposed Strength Factors will be effective for bills January 2014. The following are the current and proposed Strength Factors:

DESCRIPTION	STRENGTH FACTOR	
	CURRENT	PROPOSED
Schools	Based on attendance	1.000
Churches	1.000	1.000
Low Strength Commercial	1.000	1.000
Medium Strength Commercial	1.238	2.000
High Strength Commercial	2.203	4.000

The following tables show the proposed rate increases for Usage and System Fees effective for all bills January 1, 2014, and the projected rates for 2015 through 2018 inflated by 7.9 percent thereafter. These fees include the impact of any pass-through increases. Therefore, actual fees in each of the future years below may differ.

USAGE FEE and 2015—2018 PROJECTED						
STRENGTH FACTOR	CURRENT	PROPOSED 2014 ⁽⁷⁾	PROJECTED 2015 ⁽⁷⁾⁽⁹⁾	PROJECTED 2016 ⁽⁷⁾⁽⁹⁾	PROJECTED 2017 ⁽⁷⁾⁽⁹⁾	PROJECTED 2018 ⁽⁷⁾⁽⁹⁾
Low	\$45.30	\$2.35	\$2.54	\$2.74	\$2.96	\$3.19
Medium	\$45.30	\$3.37	\$3.64	\$3.93	\$4.24	\$4.57
High	\$45.30	\$5.37	\$5.80	\$6.26	\$6.75	\$7.28

SYSTEM FEE and 2015 - 2018 PROJECTED						
METER SIZE	CURRENT	PROPOSED 2014 ⁽⁸⁾	PROJECTED 2015 ⁽⁸⁾⁽⁹⁾	PROJECTED 2016 ⁽⁸⁾⁽⁹⁾	PROJECTED 2017 ⁽⁸⁾⁽⁹⁾	PROJECTED 2018 ⁽⁸⁾⁽⁹⁾
.75"	\$13.30	\$25.83	\$27.87	\$30.07	\$32.45	\$35.01
1"	\$13.30	\$38.03	\$41.03	\$44.28	\$47.77	\$51.55
1.5"	\$13.30	\$68.53	\$73.94	\$79.78	\$86.08	\$92.89
2"	\$13.30	\$105.12	\$113.43	\$122.39	\$132.06	\$142.49
3"	\$13.30	\$190.52	\$205.57	\$221.81	\$239.33	\$258.24
4"	\$13.30	\$312.51	\$337.20	\$363.83	\$392.58	\$423.59
6"	\$13.30	\$617.48	\$666.27	\$718.90	\$775.69	\$836.97
8"	\$13.30	\$983.46	\$1,061.15	\$1,144.98	\$1,235.43	\$1,333.03
10"	\$13.30	\$1,410.42	\$1,521.85	\$1,642.07	\$1,771.80	\$1,911.77

Footnotes:

- Flow in Gallons Per Day (Flow) is calculated using monthly readings from the commercial account’s water meter.
- Flow is reduced by 15 percent to reflect that not all water purchased is disposed of into the public sewer system.
- Flow is divided by 250 to convert it to a residential equivalence.
- Strength Factors for business customers are categorized as low, medium or high strength as shown on the Strength Factor table.
- The Average Annual Consumption is defined as the units of water billed from January through December of the previous year.
- The Average Annual Consumption is reduced by 15 percent to reflect that not all water used flows into the public sewer system.
- The Usage Fee is based on the commercial account’s Strength Factor as shown on the Usage Fee table as being either Low, Medium, or High.
- The System Fee is based on the size of the water meter.
- Projected rates are for informational purposes only, and are increased annually by 7.9 percent inflator.

This information reflects only rates that are proposed to change. For a comprehensive listing of rates, please see the Otay Water District’s Code of Ordinances at www.otaywater.gov



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004
www.otaywater.gov

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NOTICE OF PUBLIC HEARING

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COMMERCIAL SEWER SERVICE**



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