

OTAY WATER DISTRICT
SPECIAL MEETING OF THE BOARD OF DIRECTORS
DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA

MONDAY
May 17, 2010
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

WORKSHOP

5. ADOPT RESOLUTION NO. 4159, APPROVING THE FISCAL YEAR 2010-2011 OPERATING AND CAPITAL BUDGETS AND ADOPT WATER AND SEWER RATE INCREASES; APPROVE FUND TRANSFERS FOR POTABLE, RECYCLED, AND SEWER; ADOPT ORDINANCE NO. 525 TO AMEND APPENDIX A OF THE CODE OF ORDINANCES WITH THE PROPOSED WATER AND SEWER RATE INCREASES AS PRESENTED IN THE FY 2010-2011 OPERATING AND CAPITAL BUDGET; AND DIRECT STAFF TO SEND CUSTOMERS NOTICE OF THE RATE INCREASES (BEACHEM)
6. ADJOURNMENT



AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Special Board	MEETING DATE:	May 17, 2010
SUBMITTED BY:	Rita Bell, <i>RKB</i> Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, <i>GA</i> Assistant General Manager		
SUBJECT:	Adopt Resolution No. 4159 to Approve the FY 2010-2011 Operating and Capital Budget; Approve Fund Transfers for Potable, Recycled, and Sewer; Approve Water and Sewer Rate Increases to be Effective for Water and Sewer Services Billed Beginning January 1, 2011; Adopt Ordinance No. 525 Amending Appendix A of the Code of Ordinances with the Proposed Water and Sewer Rate Increases; and Obtain Approval of the Rate Increase Notices and Timing of Delivery		

GENERAL MANAGER'S RECOMMENDATION:

That the Board:

- a) Adopt Resolution No. 4159 of the Board of Directors of Otay Water District to approve the Fiscal Year 2010-2011 Operating and Capital Budget and adopt a water rate increase of 10.9% and a sewer rate increase of 6.8% as proposed in the budget.
- b) Approve the following fund transfers:

Potable:

Designated Expansion to Replacement	\$1,410,000
General Fund to Replacement	\$6,245,000
General Fund to Sewer Replacement	\$1,750,000
General Fund to Sewer General Fund	\$595,000

Recycled:

General Fund to Designated Expansion	\$2,775,000
General Fund to Designated Betterment	\$315,000
General Fund to Replacement	\$720,000

Sewer:

General Fund to Designated Betterment	\$1,120,000
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- c) Adopt Ordinance No. 525 to amend Appendix A of the Code of Ordinances with the proposed water and sewer rate increases as presented in the FY 2010-2011 Operating and Capital Budget.
- d) Direct staff to send customers notices of rate increases.

PURPOSE:

To obtain approval of the Fiscal Year 2010-2011 Operating and Capital Budget; various fund transfers; adopt Resolution No. 4159 to approve a 10.9% water rate increase and a 6.8% 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 11.3%, and water sales are projected to be 10.3% 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 attempted 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, and vendors such as SDG&E, while also taking into account other economic indicators affecting revenues such as property taxes and lease agreements.

DISCUSSION:

This year, the challenges for deciding to increase 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. The focus on the sewer side is on higher costs due to the Public Utilities Department - Wastewater Branch and the Spring Valley Sanitation District costs to transport and treat sewer. Another aspect of the recommended sewer rates, consistent with the prior year's Board direction, is the gradual draw down of the general fund reserves while revenues are increased over the next five years. The

following discussion and the attached presentation review these significant issues.

Water Costs

Fiscal year 2011 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 rate increases of 11.3% and 12.2%, respectively. This is primarily a result of the ongoing water supply problems that face the State of California. 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 and 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 55% of the District's operating budget, it is understandable that nearly two-thirds of the rate increase is providing the \$1.6 million needed to purchase approximately 12.6% less water than was planned to be purchased in the prior year. As these difficult times continue, the District is in the same position that some customers will realize, that they will pay more for less water.

Debt Coverage and Credit Ratings

In September of 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 several years, it is now expected that for the District to maintain a strong credit rating it should maintain a debt coverage ratio of 150%. With a 10.9% rate increase, the District will maintain this ratio at a strong level of 151% in 2011. In 2012 through 2016, the District is expected to maintain a stable and strong debt coverage ratio close to 150%. In later years, growth revenues are expected to boost the true debt coverage ratio well above 300%. 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 will be needed in FY 2012 in the amount of \$51.8 million. 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. No additional debt is anticipated in the years 2013 through 2016 due to the expectation that growth will return and provide funding for CIPs through higher capacity fees. The CIP is also supported by \$14.9 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 the capital improvements for fiscal year 2011.

Water Sales

In the 2010 budget process, the District anticipated that water sales would decline 4.8% from the 2009 levels as a result of the drought and the conservation messages. The 2010 projected water sales are now projected to be 10.3% less than that reduced budget level. With last year's unprecedented rate increase of 19.9%, the greater than expected rainfall, the slow economic recovery, and ongoing conservation messages, the water sales have been impacted more than anticipated.

In the proposed FY 2011 Budget, water sales are being set at levels equal to the FY 2010 projected water sales with a slight increase for the anticipated growth. This is a fairly conservative expectation that is sensitive to the additional rate increases, the sluggish economy, and the continued

conservation messages. This is also consistent with the CWA projection that water sales will remain relatively flat in the next year.

Due to the substantial investment in recycled water and the conservation already being achieved by Otay customers, the CWA water allocation for the District is well above the anticipated purchases in 2011. The allocation level is set at 39,832 acre-feet while the projected purchases for 2011 are only 31,088 acre-feet, leaving a 22% cushion before the District is at risk of incurring penalty pricing.

With these two pieces of information, projected sales and the allocation, the District has determined that even with the uncertainty of projecting sales, there is a very small chance of exceeding the allocation level. This leaves a positive financial impact of selling more water than budget and the standard negative impact of selling less water than budget.

Variable revenues from water sales represent 62% of the District's budgeted revenues with variable costs representing 45% of budgeted expenses. The District will monitor sales closely in order to determine the financial impact of lower than expected sales. While reserves are sufficient to cover even a dramatic cut in sales, the debt coverage ratios need to be maintained to insure that the District can retain its ability to issue additional low cost debt.

Relative Position to Other Districts

Annually, the District performs a survey of how Otay's rates compare 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 12%. The District's survey, shown in the attached presentation, illustrates that a conserving customer, 10 units; or an average customer, 15 units; will be charged the seventh lowest rates if they are an Otay customer as compared to other agencies in the county.

The 10.9% water rate increase generates an additional \$2.6 million in revenue of which 7.1% of the increase is pass-through cost. This is required to offset the \$1.7 million of higher water cost due to rate increases from our suppliers. The remaining 3.8% or \$922,900 is due to internal factors necessary

to fund capital projects and the related debt payments and reserve requirements. The District was successful in managing its own internal cost, reducing operating expenses by \$349,500, in turn reducing the overall necessary rate increase by 1.8%. The 3.8% portion of the overall 10.9% rate increase is well within the 10% allowed by the District's Proposition 218 notice.

Sewer Rates

The main reasons for increases in the sewer rate are the increased costs to transport and treat sewer by the Spring Valley Sanitation District and the Public Utilities Department - Wastewater Branch, respectively. These increases totaled \$91,500, which exceeds the overall revenue collected by the proposed 6.8% rate increase. The rate model shows that with this proposed increase the expenses will exceed revenues. Over time, with the projected future rate increases, the operating revenues will increase to be on par with operating expenses. This would draw down the sewer general fund reserves by \$994,600. This draw down is consistent with the Reserve Policy, as the general fund is over the target level and will exceed the maximum as the potable general fund repays the transfer that was made last year. This is a continuation of the action taken by the Board with last year's budget approval to bring the sewer reserves closer to their target levels.

Efficiencies Through Strategic Management

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 2010-2011 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 10.9% rate increase for water, and a recommended 6.8% rate increase for sewer. The rate model projects a 10.9% increase for each of the next three years followed by 2.2% increases in the following three years.

Rate Implementation - Water

The 10.9% rate increase is being recommended for both potable and recycled customers. A 10.0% increase in the variable water

rate is recommended to all classes of potable customers. The MWD/CWA pass-through fee is proposed to increase 21.0% to collect the fixed costs charged to the District by our water providers. The total of these fixed charges are shown below:

Customer Service Charge	\$1,315,200
Emergency Storage Charge	\$2,875,200
Infrastructure Access Charge	\$1,550,700
Capacity Reservation Charge	\$665,100
Readiness-to-Serve Charge	\$1,232,400
Total MWD/CWA Fixed Charges	\$7,638,600

No increase is recommended for the District's system fee of \$14.58 for a single-family residence. The system fee is to cover a portion of the District's fixed cost to operate and maintain the system. The District has been diligent in reducing cost 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 fee 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 10.0% 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 2010, a 7.2% rate increase was projected based on cost estimates at the time. Now, despite the increase by our sewer providers, there have been reductions in District costs that offset some of the anticipated increases reducing the necessary increase to 6.8%. Since sewer costs only represent 3.0% 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 a slight decrease in potable water revenues of 0.2% and a modest increase in recycled water revenues of 0.2%. The relatively

flat sales dollars are directly related to the projected reduced water sales volumes of 10.3% for potable and 5.7% for recycled. These low levels of sales are offset by the prior 19.9% rate increase and the proposed 10.9% rate increase.

The sewer revenues increased 1.1% over last year's budget, again showing the combined effect of lower water consumption and a rate increase of 6.8%. This relatively low rate partially results from the proposed general fund draw down that will continue for five years until the revenue and expenditures are equal.

Other changes in the Operating Revenues include the following:

- Capacity Fee Revenues are expected to decrease by 21.6% due to less work in the planning area.
- Betterment Fees for maintenance are expected to increase 15.0% due to more maintenance on facilities within the Betterment IDs.
- Annexation Fees are expected to be reduced to zero due to the change in the methodology and no parcels are anticipated to annex into District boundaries in FY 2011.
- Property Tax Revenues are expected to decrease 1.0% due to an anticipated reduction in assessed values.
- Property Rentals are expected to increase 15.5% due to two new cell-site leases and agreed upon inflators in contracts.
- Miscellaneous Revenues are expected to increase by 73.4% mainly due to increase in billable work orders.

Expenses

In the proposed budget, water costs are projected to decrease 2.2%, despite the MWD and CWA rate increases. This is because of the large reductions in volume. The total decrease in the variable potable water costs is expected to be \$1,795,000. This is despite the increase in the price component, \$73 per acre-foot. The fixed costs paid to CWA and MWD are projected to increase by \$1,128,800. Recycled water costs are expected to decrease by \$132,100. This is mainly due to a purchases volume decrease of 10.2% combined with an estimated reasonable price inflator by the City of San Diego. The estimated increase was based on a 4.5% annual inflator from when the District began taking water, accumulating to a 19.1% increase estimated to be effective on January 1, 2011.

Sewer costs are expected to increase by \$91,500 due to increased charges from our service providers, the Public Utilities Department - Wastewater Branch and the Spring Valley Sanitation District.

Power costs are budgeted to decrease by \$116,400 or 4.4% due to volume decreases resulting in reduced pumping, partially offset by an anticipated SDG&E rate increase of 3.5% on January 1, 2011.

Labor and benefits costs are expected to decrease by 2.7% or \$463,400. These changes are due to the following:

- Reduction of FTEs by 7 resulting in a decrease of \$521,300.
- Cost of living increase of 3% and merit increases, pursuant to current MOU increase of \$579,700.
- Changes in the vacancy factor along with vacation and sick leave increase of \$11,500.
- Reduction in overtime of \$12,400.
- Benefit cost increases of \$37,000.
- Increase of charges to CIP projects shifting costs away from the Operating Budget decreases cost by \$557,900 for labor and benefits and associated overhead allocation.

The administrative expenses increased by 4.9% or \$262,400 of which \$120,000 is offset by conservation grant revenue. This is due to three main factors:

- An increase in temporary help of \$184,000 for work that is temporary in nature.
- Increases in outside services due to necessary studies such as a Classification Study, Waste Water Master Plan, laboratory outsourcing, and increased workload in the Closed Circuit Television (CCTV) program.
- Decreases in departmental expenses, including the elimination of a \$100,000 paving project, reductions in general office expense and contracts, and reductions in the overhead allocation of \$97,400 due to the shifting of cost between Operating and CIP Budgets.

The materials and maintenance budget experienced an overall decrease of 0.8% or \$32,100. Four major factors are:

- Higher meter cost of \$51,500.
- Increases in the Public Utilities Department - Wastewater Branch charge of \$57,600.
- Increase in the Spring Valley Sanitation District costs of \$33,900.
- Decreases in chemicals, safety equipment, and contracted services totaling \$174,000.

Funding to reserves is increasing by \$1.8 million as compared to last year. This year, the funding is needed to keep the Replacement, Expansion, 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 Department updates the CIP budget. This year, the total six-year CIP budget decreased by \$41 million from last year's CIP. This decrease is a result of completing many CIP projects, delaying projects that are developer driven, planning efforts enhancing project definition, and increasing emphasis upon water supply projects. The impact upon the CIP resulted in new projects and cost revisions to existing 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	\$16.2
Developer Reimbursement	0.0
Replacement and Renewal	10.0
Capital Purchases	<u>2.3</u>
Total (millions)	\$28.5

There are a total of 94 projects in the current six-year CIP plan. Each project is listed in the FY 2010-2011 Preliminary Operating and Capital Budget (Attachment D). The total six-year cost of the 94 projects is \$181.4 million.

FISCAL IMPACT:



A six year rate modeling effort is one of the ways the District can better educate its customers, manage risk to ensure it is minimized, reduce rate impacts, and establish fiscal strength as the District and its customers experience these difficult economic times.

The recommended balanced budget totals \$77.0 million for Operating and \$28.5 for CIP. With budget approval, the District will move forward into the 2011 fiscal year with clear financial direction and strength. An average increase of 10.9% is recommended for water rates and a 6.8% average rate increase is recommended for sewer rates. These increases are recommended for all water and sewer services billed beginning January 1, 2011. 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. 4159
- B) Ordinance No. 525 to Amend Appendix A
- C) Fiscal Year 2010-2011 Budget Presentation
- D) Preliminary Operating and Capital Budget Fiscal Year 2010-2011
- E) Rate Increase Notice - Residential Water Rates
- F) Rate Increase Notice - Residential Sewer Rates
- G) Rate Increase Notice - Commercial, Landscape, Agricultural & Construction Water Rates
- H) Rate Increase Notice - Recycled Water Rates
- I) Rate Increase Notice - Commercial Sewer Rates
- J) Rate Increase Notice - Master Metered

RESOLUTION NO. 4159

A RESOLUTION OF THE BOARD OF DIRECTORS OF
OTAY WATER DISTRICT ADOPTING THE
FISCAL YEAR 2010-2011
OPERATING AND CAPITAL BUDGET AND THE PROPOSED
WATER AND SEWER INCREASES AS AMENDED IN
APPENDIX A

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 2010-2011; 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 2010-2011 Operating and Capital Budget, have been reviewed and considered by the Board,

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 effective January 1, 2011.

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 2010-2011.

PASSED, APPROVED AND ADOPTED by the Board of Directors of Otay Water District at a special board meeting held this 17th day of May 2010, by the following vote:

Ayes:
Noes:
Abstain:
Absent:

President

ATTEST:

District Secretary

ORDINANCE NO. 525

AN ORDINANCE OF THE BOARD OF DIRECTORS
OF THE OTAY WATER DISTRICT AMENDING THE
CODE OF ORDINANCES APPENDIX A, SCHEDULE OF FEES
AND CHARGES

BE IT ORDAINED by the Board of Directors of Otay Water District that Appendix A, Schedule of Fees and Charges be amended as per the attached Documents A-1 and A-2.

NOW, THEREFORE, BE IT RESOLVED that the amendments to the District's Code of Ordinances, Appendix A, Schedule of Fees and Charges, increasing water and sewer rates shall become effective January 1, 2011.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting duly held this 17th day of May 2010, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

President

ATTEST:

District Secretary

Otay Water District
Appendix A

Section #	Code #	Fee Description	Meter Size	Charges
9	9.04 A.1.	District Processing Fee		\$692.00
	9.04 B.	Annexation Fees for Annexations into Otay Water District Boundaries	Meter Size	District-wide Annexation Fee
			3/4"	\$1,477
			1"	\$3,693
			1 1/2"	\$7,385
			2"	\$11,816
			3"	\$23,632
			4"	\$36,925
			6"	\$73,850
			8"	\$118,160
			10"	\$169,855
	9.04 C.4.	Annexation Fees for Annexations to Sewer Improvement Districts		\$5,445.00
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	Meter Size	System Charge	MWD & CWA Fixed Charge	Total Fixed Charge
			3/4"	\$14.58	\$9.77	\$24.35
			1"	\$18.52	\$16.28	\$34.80
			1-1/2"	\$28.37	\$32.61	\$60.98
			2"	\$40.18	\$52.15	\$92.33
			3"	\$71.68	\$104.30	\$175.98
			4"	\$107.13	\$162.98	\$270.11
			6"	\$205.59	\$325.92	\$531.51
			8"	\$323.73	\$521.51	\$845.24
			10"	\$461.57	\$749.61	\$1,211.18
25	25.03 E.1.(b)	Domestic Residential Water Rates		Unit	Charge	
				1 - 5	\$1.35	
				6-10	\$2.10	
				11-22	\$2.73	
				23 & over	\$4.21	
25	25.03 E.2.(b)	Multiple Residential Water Rates - Per Dwelling Unit		1-4	\$2.08	
				5-8	\$2.70	
				9 & over	\$4.15	
25	25.03 E.3.(b)	Business and Publicly-Owned Water Rates	under 10"	1-173	\$2.22	
				174-831	\$2.27	
				832 & over	\$2.31	
			10" & larger	1-7426	\$2.22	
				7427-14616	\$2.27	
				14617 & over	\$2.31	
25	25.03 E.4.(c)	Irrigation and Commercial Agricultural Using Potable Water Rates	1" & smaller	1-49	\$3.02	
				50-132	\$3.08	
				133 & over	\$3.14	
			1.5 & 2"	1-144	\$3.02	

				145-355	\$3.08	
				356 & over	\$3.14	
			3" & larger	1-1044	\$3.02	
				1045-8067	\$3.08	
				8068 & over	\$3.14	
25	25.03 E.5.(c)	Recycled Water Rates	1" & smaller	1-42	\$2.58	
				43-97	\$2.62	
				98 & over	\$2.67	
			1.5 & 2"	1-168	\$2.58	
				169-402	\$2.62	
				403 & over	\$2.67	
			3 & 4"	1-403	\$2.58	
				404-820	\$2.62	
				821 & over	\$2.67	
			6" & larger	1-7916	\$2.58	
				7917-16357	\$2.62	
				16358 & over	\$2.67	
25	25.03 E.6.(b)	Temporary and Construction Water Service Rates	1" & smaller	1-49	\$6.04	
				50-132	\$6.16	
				133 & over	\$6.28	
			1.5 & 2"	1-144	\$6.04	
				145-355	\$6.16	
				356 & over	\$6.28	
			3" & larger	1-1044	\$6.04	
				1045-8067	\$6.16	
				8068 & over	\$6.28	
25	25.03 E.8.(b)	Tank Trucks Water Rates	1" & smaller	1-49	\$6.04	
				50-132	\$6.16	
				133 & over	\$6.28	

			1.5 & 2"	1-144	\$6.04		
				145-355	\$6.16		
				356 & over	\$6.28		
			3" & larger	1-1044	\$6.04		
				1045-8067	\$6.16		
				8068 & over	\$6.28		
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	1" & smaller	1-49	\$6.04		
				50-132	\$6.16		
				133 & over	\$6.28		
			1.5 & 2"	1-144	\$6.04		
				145-355	\$6.16		
				356 & over	\$6.28		
			3" & larger	1-1044	\$6.04		
				1045-8067	\$6.16		
				8068 & over	\$6.28		
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	1" & smaller	1-49	\$6.04		
				50-132	\$6.16		
				133 & over	\$6.28		
			1.5 & 2"	1-144	\$6.04		
				145-355	\$6.16		
				356 & over	\$6.28		
			3" & larger	1-1044	\$6.04		
				1045-8067	\$6.16		
				8068 & over	\$6.28		

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	\$0.29		
25	25.03 E.13.(b)	Interim Service Water Rate in Improvement District 7	1" & smaller		1-49	\$6.04		
					50-132	\$6.16		
					133 & over	\$6.28		
			1.5 & 2"		1-144	\$6.04		
					145-355	\$6.16		
					356 & over	\$6.28		
			3" & larger		1-1044	\$6.04		
					1045-8067	\$6.16		
					8068 & over	\$6.28		
25	25.03 F.	Energy Charges for Pumping Water			Per 100 ft of list over 450 ft per unit	\$0.038		
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		
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	\$0.17 per HCF	Effective Jan 1, 2009
				"	\$0.18 per HCF	Effective Jan 1, 2010
				"	\$0.19 per HCF	Effective Jan 1, 2011
				"	\$0.20 per HCF	Effective Jan 1, 2012
				"	\$0.21 per HCF	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	\$0.25 per HCF	Effective Jan 1, 2009
				"	\$0.26 per HCF	Effective Jan 1, 2010
				"	\$0.27 per HCF	Effective Jan 1, 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	\$0.07 per HCF	Effective Jan 1, 2008-2010
				"	\$0.08 per HCF	Effective Jan 1, 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	Meter Size	District-wide Capacity Fee			
		- All IDs except Triad	3/4"	\$7,499.00			
			1"	\$18,748.00			
			1 1/2"	\$37,495.00			
			2"	\$59,992.00			
			3"	\$119,984.00			
			4"	\$187,475.00			
			6"	\$374,950.00			
			8"	\$599,920.00			
			10"	\$862,385.00			
		- 22/27 TRIAD	3/4"	\$5,612.00			
			1"	\$14,030.00			
			1 1/2"	\$28,060.00			
			2"	\$44,896.00			
			3"	\$89,792.00			
			4"	\$140,300.00			
			6"	\$280,600.00			
			8"	\$448,960.00			
			10"	\$645,380.00			
28	28.01 B.2.	Supply Fees	Meter Size	Supply Fee			
		- All IDs including Triad	3/4"	\$864.00			
			1"	\$2,160.00			
			1 1/2"	\$4,320.00			
			2"	\$6,912.00			
			3"	\$13,824.00			
			4"	\$21,600.00			
			6"	\$43,200.00			
			8"	\$69,120.00			
			10"	\$99,360.00			

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 - Temporary Meters					
			3/4"			\$150.00	
			1"			\$180.00	
			1-1/2"			\$330.00	
			2"			\$445.00	
			3"			\$850.00	
			4"			\$850.00	
			6"			\$2,075.00	
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		Rate multiplied by winter average units)	\$1.56		
53	53.11 B.3.	Residential Sewer Charges Base Fee	5/8" & 3/4"		\$10.80		
			1" & larger		\$15.75		
53	53.11 B.4.	Monthly Residential Sewer Rate Without Consumption History	5/8" & 3/4"		\$36.88		
			1" & larger		\$41.83		
53	53.11.C.4.	Winter Averaging - Sewer					
		- Single Residential		19.68 - 15% discount = 16.73 units			
		- Multi-Residential		8 units - 15% discount = 6.8 units			
53	53.11 D.2.	Multi-Residential Rate Charges - Sewer		Rate multiplied by winter average units	\$1.56		

53	53.11 E.6.	Public Schools Sewer Rate		Per ASU (Based on Student Count)	\$36.88		
53	53.11 F.	Sewer State Loan Annual Charge		Per ASUs & Charged on annual tax bills	\$54.00		
53	53.11 G.1.	Monthly Service Charge for Commercial and Institutional Sewer		Per ASU	\$36.88		
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" - 1"		\$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	
		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 &	\$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 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		
Policies							
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 Processing Fee		\$692.00
	9.04 B.	Annexation Fees for Annexations into Otay Water District Boundaries	Meter Size	District-wide Annexation Fee
			3/4"	\$1,477
			1"	\$3,693
			1 1/2"	\$7,385
			2"	\$11,816
			3"	\$23,632
			4"	\$36,925
			6"	\$73,850
			8"	\$118,160
			10"	\$169,855
	9.04 C.4.	Annexation Fees for Annexations to Sewer Improvement Districts		\$5,445.00
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	Meter Size	System Charge	MWD & CWA Fixed Charge	Total Fixed Charge
			3/4"	\$14.58	\$11.82	\$26.40
			1"	\$18.52	\$19.69	\$38.21
			1-1/2"	\$28.37	\$39.44	\$67.81
			2"	\$40.18	\$63.07	\$103.25
			3"	\$71.68	\$126.14	\$197.82
			4"	\$107.13	\$197.11	\$304.24
			6"	\$205.59	\$394.17	\$599.76
			8"	\$323.73	\$630.71	\$954.44
			10"	\$461.57	\$906.58	\$1,368.15
25	25.03 E.1.(b)	Domestic Residential Water Rates		Unit	Charge	
				1 - 5	\$1.49	
				6-10	\$2.31	
				11-22	\$3.00	
				23 & over	\$4.63	
25	25.03 E.2.(b)	Multiple Residential Water Rates - Per Dwelling Unit		1-4	\$2.29	
				5-8	\$2.97	
				9 & over	\$4.57	
25	25.03 E.3.(b)	Business and Publicly-Owned Water Rates	under 10"	1-173	\$2.44	
				174-831	\$2.50	
				832 & over	\$2.54	
			10" & larger	1-7426	\$2.44	
				7427-14616	\$2.50	
				14617 & over	\$2.54	
25	25.03 E.4.(c)	Irrigation and Commercial Agricultural Using Potable Water Rates	1" & smaller	1-49	\$3.32	
				50-132	\$3.39	
				133 & over	\$3.45	
			1.5 & 2"	1-144	\$3.32	

				145-355	\$3.39	
				356 & over	\$3.45	
			3" & larger	1-1044	\$3.32	
				1045-8067	\$3.39	
				8068 & over	\$3.45	
25	25.03 E.5.(c)	Recycled Water Rates	1" & smaller	1-42	\$2.84	
				43-97	\$2.88	
				98 & over	\$2.94	
			1.5 & 2"	1-168	\$2.84	
				169-402	\$2.88	
				403 & over	\$2.94	
			3 & 4"	1-403	\$2.84	
				404-820	\$2.88	
				821 & over	\$2.94	
			6" & larger	1-7916	\$2.84	
				7917-16357	\$2.88	
				16358 & over	\$2.94	
25	25.03 E.6.(b)	Temporary and Construction Water Service Rates	1" & smaller	1-49	\$6.64	
				50-132	\$6.78	
				133 & over	\$6.90	
			1.5 & 2"	1-144	\$6.64	
				145-355	\$6.78	
				356 & over	\$6.90	
			3" & larger	1-1044	\$6.64	
				1045-8067	\$6.78	
				8068 & over	\$6.90	
25	25.03 E.8.(b)	Tank Trucks Water Rates	1" & smaller	1-49	\$6.64	
				50-132	\$6.78	
				133 & over	\$6.90	

			1.5 & 2"	1-144	\$6.64	
				145-355	\$6.78	
				356 & over	\$6.90	
			3" & larger	1-1044	\$6.64	
				1045-8067	\$6.78	
				8068 & over	\$6.90	
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	1" & smaller	1-49	\$6.64	
				50-132	\$6.78	
				133 & over	\$6.90	
			1.5 & 2"	1-144	\$6.64	
				145-355	\$6.78	
				356 & over	\$6.90	
			3" & larger	1-1044	\$6.64	
				1045-8067	\$6.78	
				8068 & over	\$6.90	
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	1" & smaller	1-49	\$6.64	
				50-132	\$6.78	
				133 & over	\$6.90	
			1.5 & 2"	1-144	\$6.64	
				145-355	\$6.78	
				356 & over	\$6.90	
			3" & larger	1-1044	\$6.64	
				1045-8067	\$6.78	
				8068 & over	\$6.90	

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	\$0.29		
25	25.03 E.13.(b)	Interim Service Water Rate in Improvement District 7	1" & smaller		1-49	\$6.64		
					50-132	\$6.78		
					133 & over	\$6.90		
			1.5 & 2"		1-144	\$6.64		
					145-355	\$6.78		
					356 & over	\$6.90		
			3" & larger		1-1044	\$6.64		
					1045-8067	\$6.78		
					8068 & over	\$6.90		
25	25.03 F.	Energy Charges for Pumping Water			Per 100 ft of list over 450 ft per unit	\$0.044		
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		
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	\$0.17 per HCF	Effective Jan 1, 2009
				"	\$0.18 per HCF	Effective Jan 1, 2010
				"	\$0.19 per HCF	Effective Jan 1, 2011
				"	\$0.20 per HCF	Effective Jan 1, 2012
				"	\$0.21 per HCF	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	\$0.25 per HCF	Effective Jan 1, 2009
				"	\$0.26 per HCF	Effective Jan 1, 2010
				"	\$0.27 per HCF	Effective Jan 1, 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	\$0.07 per HCF	Effective Jan 1, 2008-2010
				"	\$0.08 per HCF	Effective Jan 1, 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	Meter Size	District-wide Capacity Fee			
		- All IDs except Triad	3/4"	\$7,499.00			
			1"	\$18,748.00			
			1 1/2"	\$37,495.00			
			2"	\$59,992.00			
			3"	\$119,984.00			
			4"	\$187,475.00			
			6"	\$374,950.00			
			8"	\$599,920.00			
			10"	\$862,385.00			
		- 22/27 TRIAD	3/4"	\$5,612.00			
			1"	\$14,030.00			
			1 1/2"	\$28,060.00			
			2"	\$44,896.00			
			3"	\$89,792.00			
			4"	\$140,300.00			
			6"	\$280,600.00			
			8"	\$448,960.00			
			10"	\$645,380.00			
28	28.01 B.2.	Supply Fees	Meter Size	Supply Fee			
		- All IDs including Triad	3/4"	\$864.00			
			1"	\$2,160.00			
			1 1/2"	\$4,320.00			
			2"	\$6,912.00			
			3"	\$13,824.00			
			4"	\$21,600.00			
			6"	\$43,200.00			
			8"	\$69,120.00			
			10"	\$99,360.00			
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 - Temporary Meters					
			3/4"		\$150.00		
			1"		\$180.00		
			1-1/2"		\$330.00		
			2"		\$445.00		
			3"		\$850.00		
			4"		\$850.00		
			6"		\$2,075.00		
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		Rate multiplied by winter average units)	\$1.67		
53	53.11 B.3.	Residential Sewer Charges Base Fee	5/8" & 3/4"		\$11.57		
			1" & larger		\$16.87		
53	53.11 B.4.	Monthly Residential Sewer Rate Without Consumption History	5/8" & 3/4"		\$39.39		
			1" & larger		\$44.69		
53	53.11.C.4.	Winter Averaging - Sewer					
		- Single Residential		19.68 - 15% discount = 16.73 units			
		- Multi-Residential		8 units - 15% discount = 6.8 units			
53	53.11 D.2.	Multi-Residential Rate Charges - Sewer		Rate multiplied by winter average units	\$1.67		
53	53.11 E.6.	Public Schools Sewer Rate		Per ASU (Based on Student Count)	\$39.39		
53	53.11 F.	Sewer State Loan Annual Charge		Per ASUs & Charged on annual tax bills	\$54.00		
53	53.11 G.1.	Monthly Service Charge for Commercial and Institutional Sewer		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" - 1"		\$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	
		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 &	\$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 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		
Policies							
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		
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Otay Water District

FY 2011 Budget Workshop

May 17, 2010

Workshop Agenda

- Rate Model Review (Joe Beachem)
- Strategic Management (Department Chiefs)
- Capital Improvement Budget (Rod Posada)
- Balanced Operating Budget (Rita Bell)
- Summary of Recommendations (Joe Beachem)

Workshop Objectives

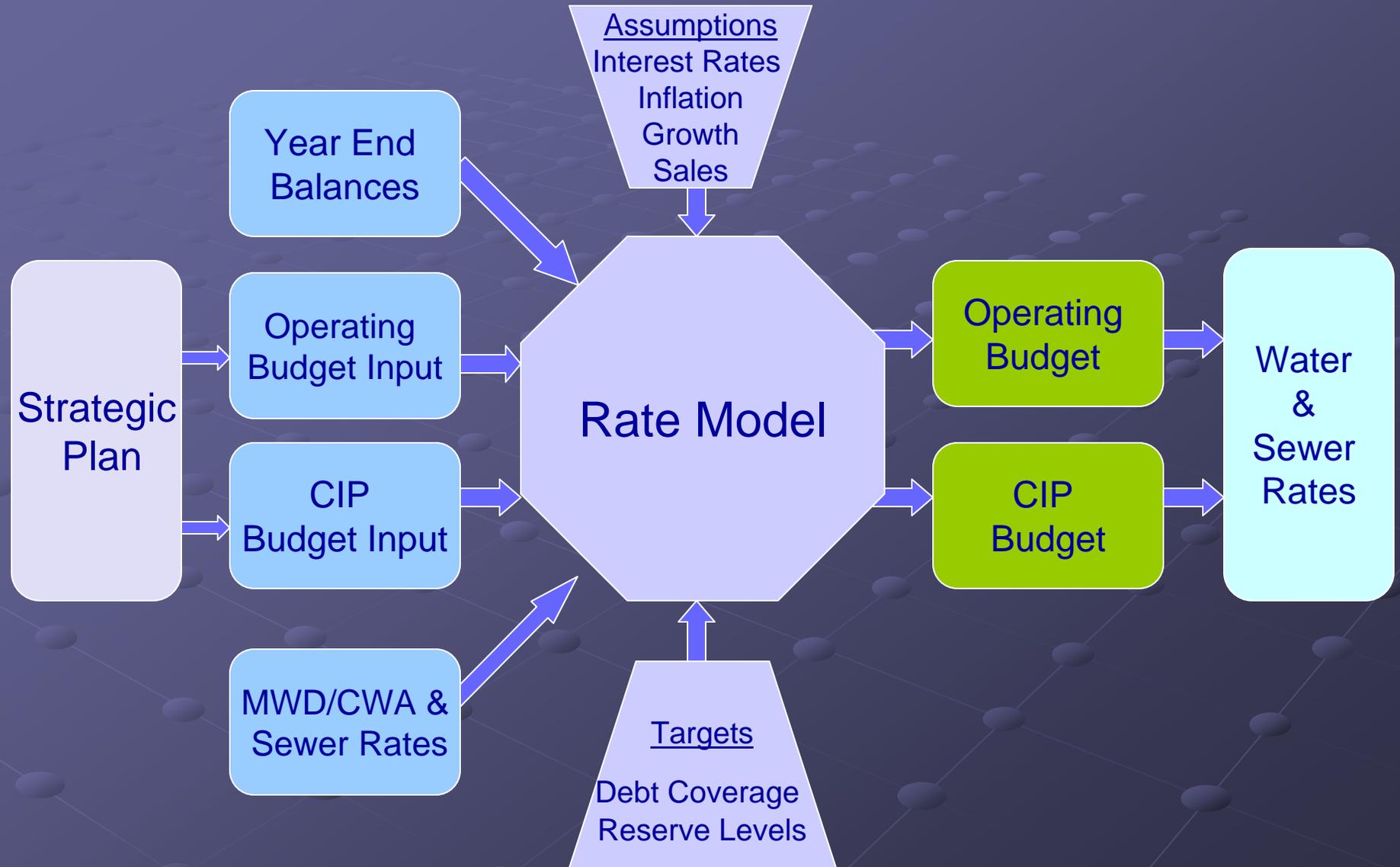
- Present for approval a \$77.0M Operating Budget
- Present for approval a \$28.5M CIP Budget
- Request approval of the rate increases
 - Average potable and recycled rate increase of 10.9% for all water billed after January 1, 2011
 - Average sewer rate increase of 6.8% for all sewer services billed after January 1, 2011
- Request approval of associated fund transfers

Next Steps

- 30 day notice of water and sewer rate increases to be sent in October 2010
- Implementation of water and sewer rate increases for all water and sewer service billed beginning January 1, 2011

RATE
MODEL
REVIEW
Water Rates
(Joe Beachem)

Rate Model and Budget Process



Significant Factors Affecting Water Rates

● Factors Pushing Rates Up

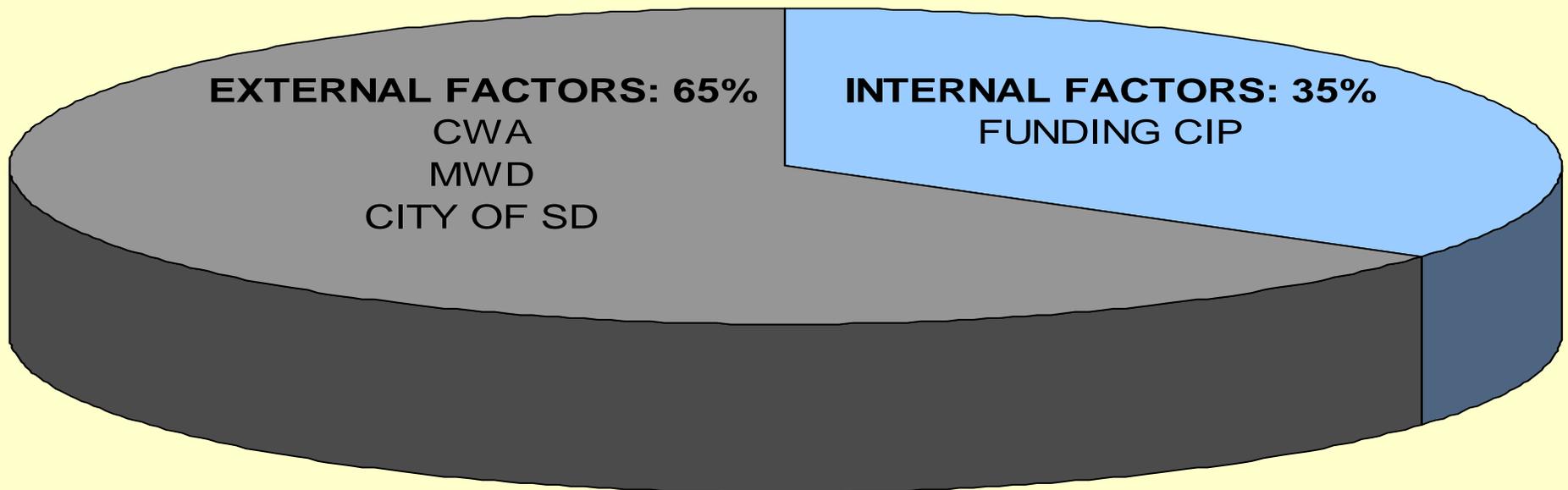
- MWD/CWA – potable rate increases
- City of San Diego – recycled rate increases
- Financing of CIP projects
- Continued reduced water sales

● Factors Holding Rates Down

- Efficiencies via Otay's strategic management

OTAY WATER DISTRICT

Rate Increase Necessary Primarily Due to External Factors



Reductions in O&M costs, an internally controlled factor, lowered the necessary rate increase from what would have been 12.7% down to 10.9%.

External Factors Supplier Cost Increases

● Potable

- CWA & MWD increase of \$1,624,300
 - MWD increased CWA's water costs by 12.2%
 - CWA increased Otay's water costs by 11.3%
- City of San Diego
 - Study is in progress
 - Wholesale rate expected
 - Budgeted a 4.5% inflator since the District began taking water in 2007

● Sewer

- Public Utilities Department – Wastewater Branch increase \$57,600 or 5.9%
- Spring Valley Sanitation District increase \$33,900 or 14.7%

Internal Factors

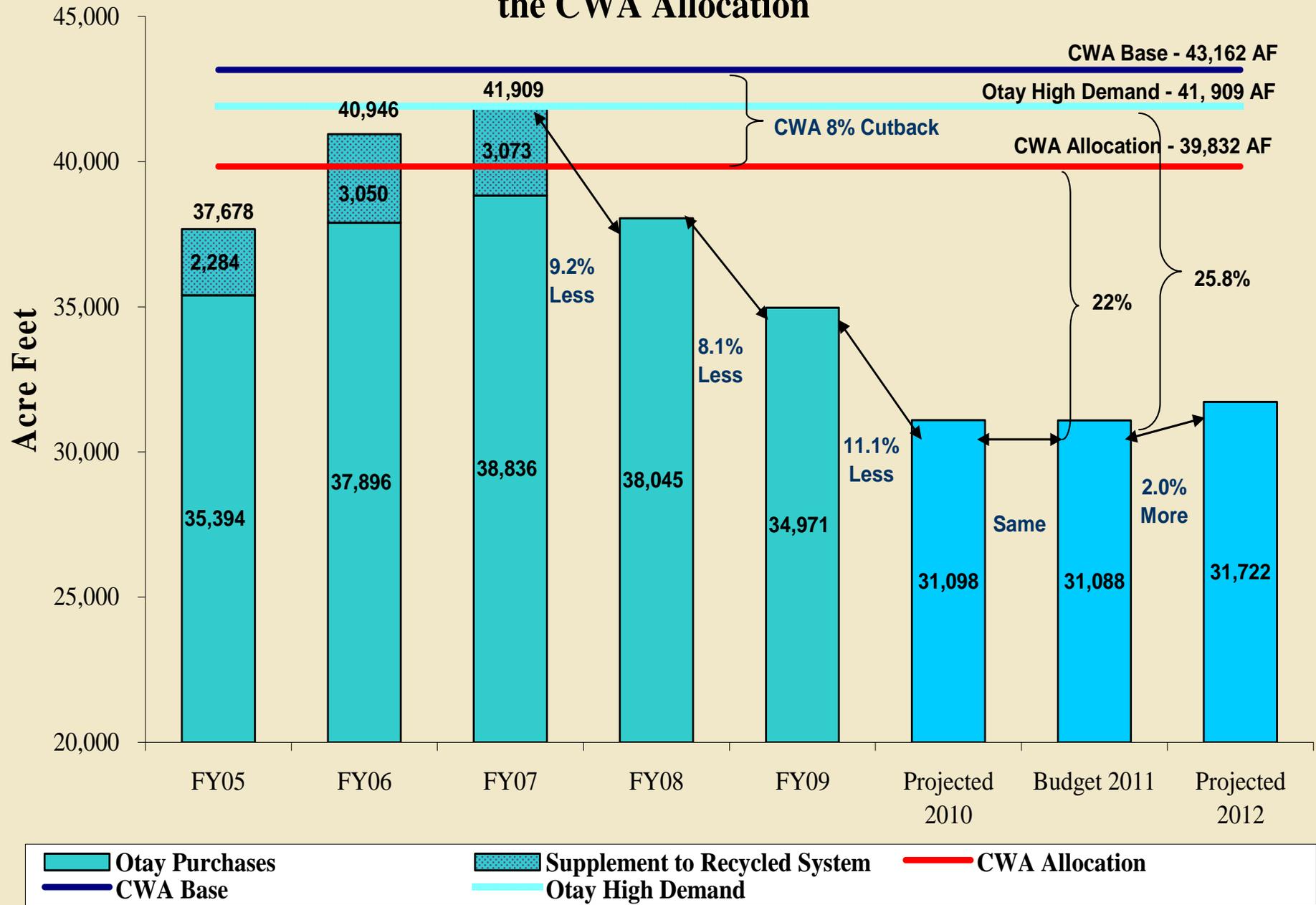
Funding CIP and Efficiencies

- CIP Funding – Meeting needs of customers through betterment, replacement, and expansion of District facilities
- Strategic Management - O&M changes for internal costs decrease (\$349,500)
 - Labor & Benefits decrease (\$463,400)
 - Admin Expenses increase \$262,400
 - Offset by \$120,000 in grant revenue
 - Materials & Maintenance decrease (\$32,100)
 - Power decreases (\$116,400)

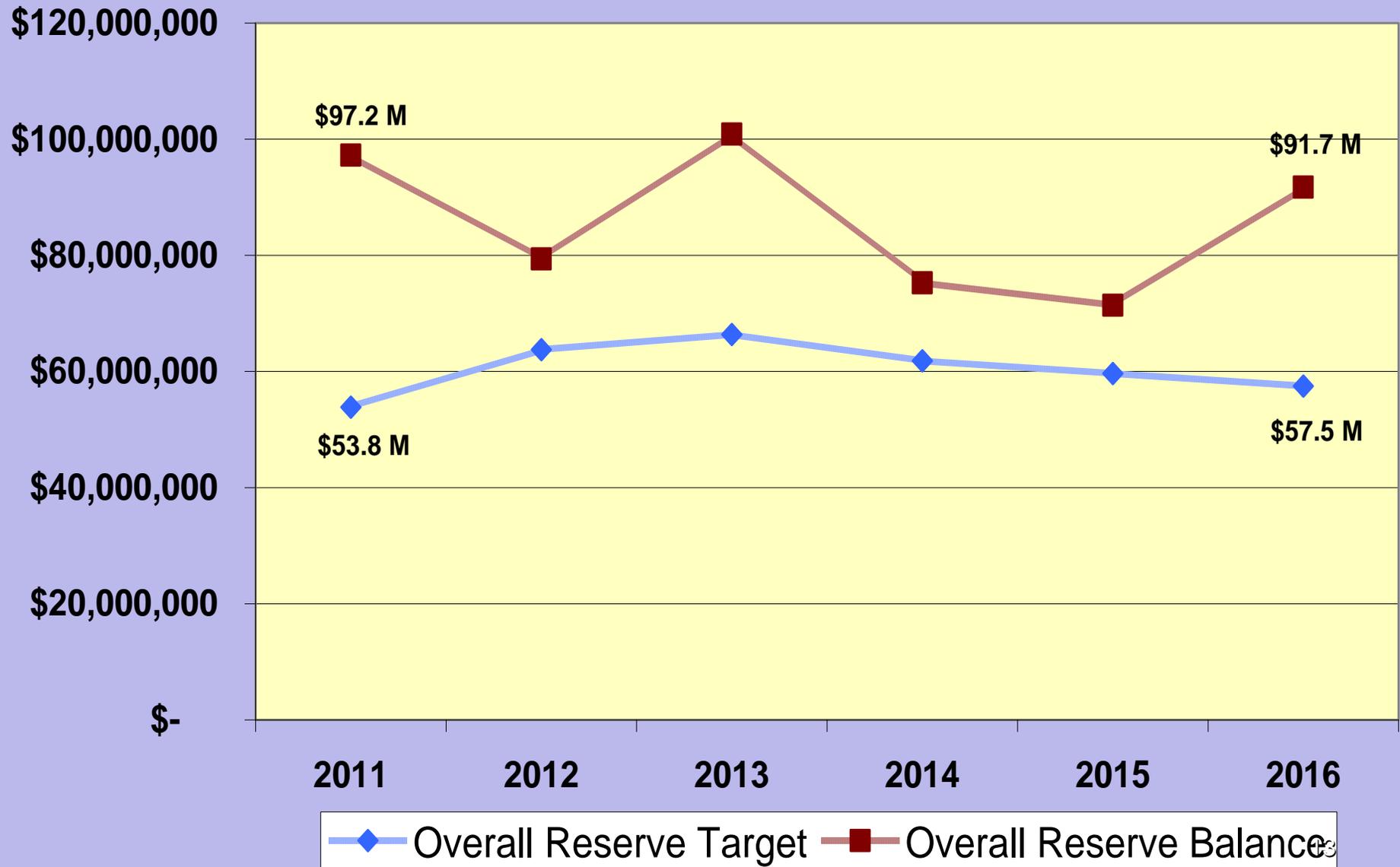
Reduced Water Sales

- FY 2010 estimated sales are 10.3% below budget
 - Rainfall – normal rainfall that has been spread over more months
 - Ongoing pricing pressures
 - Conservation message
 - Economic difficulties
- FY 2011 and FY 2012 include only minimal growth numbers and continued reduced sales due to the above factors
- Projected increases for 2013 through 2016 include increasing meter sales

Historic and Projected Potable Water Purchases from CWA and the CWA Allocation



Projected Beginning Reserve and Target Balances



Proposed Fund Transfers - \$14.9M

- Adheres to the Reserve Policy guidelines
- To maintain target reserve levels

Potable

Designated Expansion to Replacement	\$1,410,000
General Fund to Replacement	\$6,245,000
General Fund to Sewer Replacement	\$1,750,000
General Fund to Sewer General Fund	\$595,000

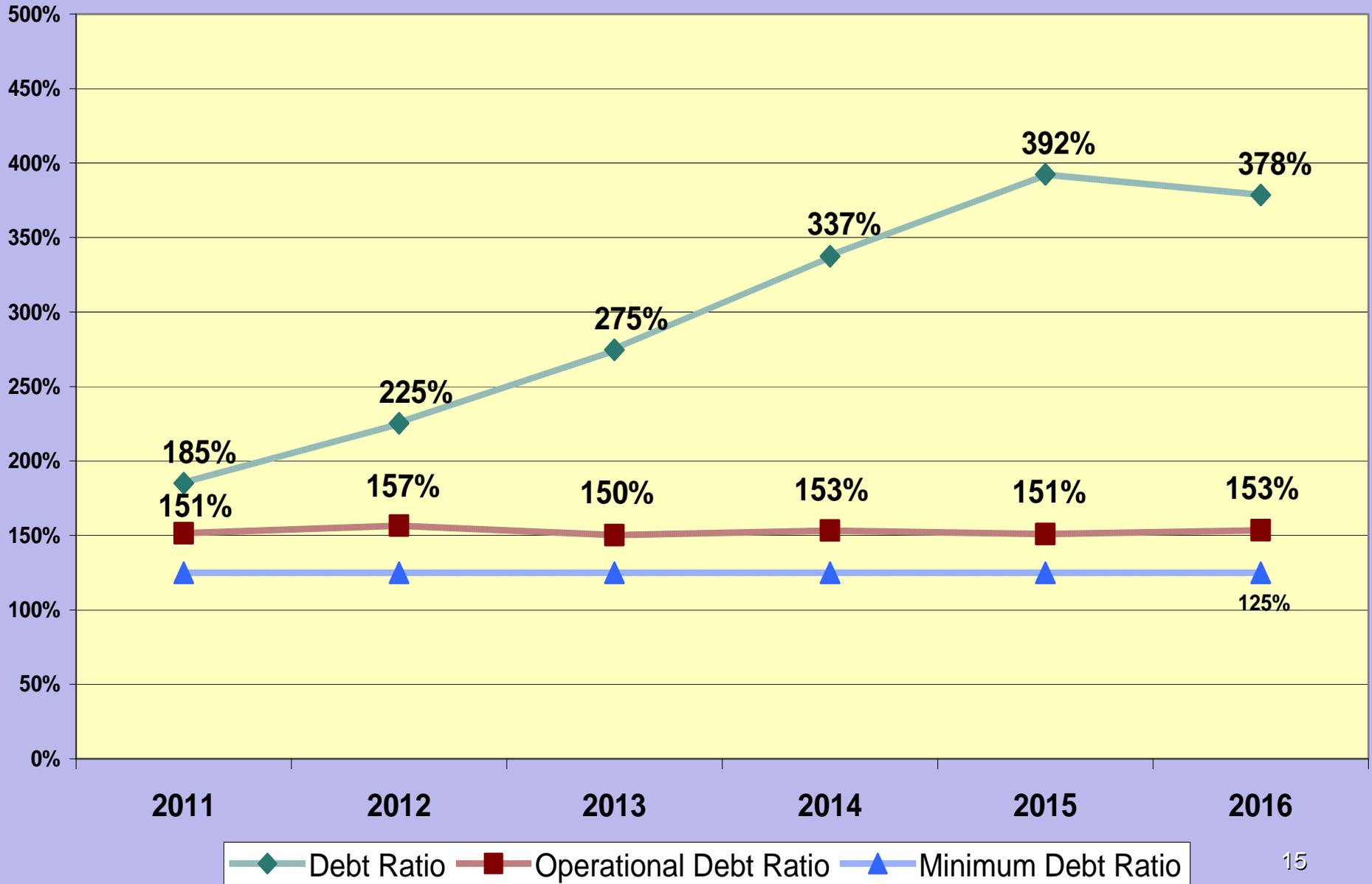
Recycled

General Fund to Designated Expansion	\$2,775,000
General Fund to Designated Betterment	\$315,000
General Fund to Replacement	\$720,000

Sewer

General Fund to Designated Betterment	\$1,120,000
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Debt Coverage Ratios



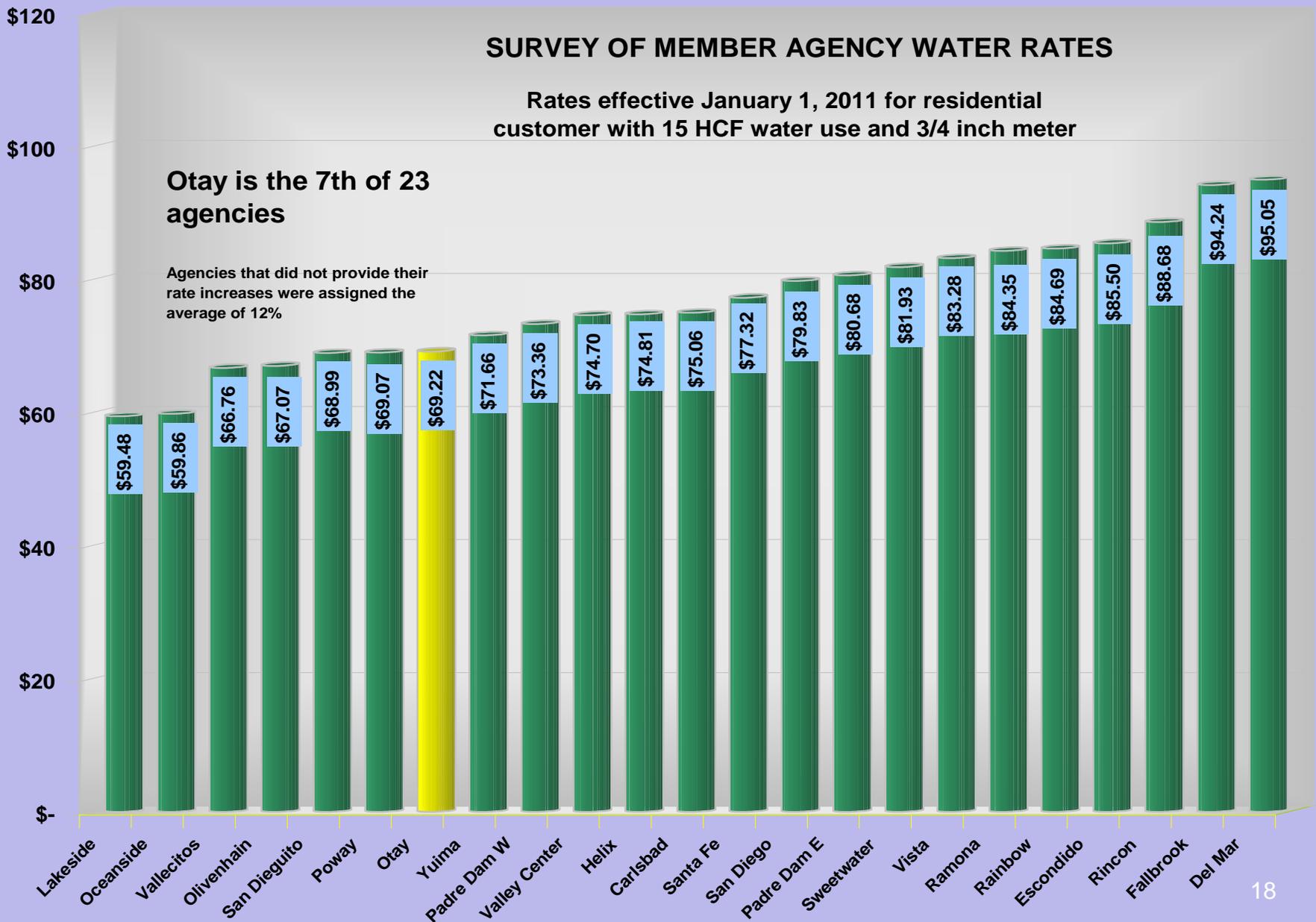
Other Post Employment Benefits

- Bi-annual actuarial evaluation is complete and is being used to set the Annual Required Contribution (ARC)
- 2011 OPEB payments are budgeted to be consistent with prior years, with accounting rules, and with prior Board direction
- With the recovery of the markets the OPEB funds are expected to fully fund the liability

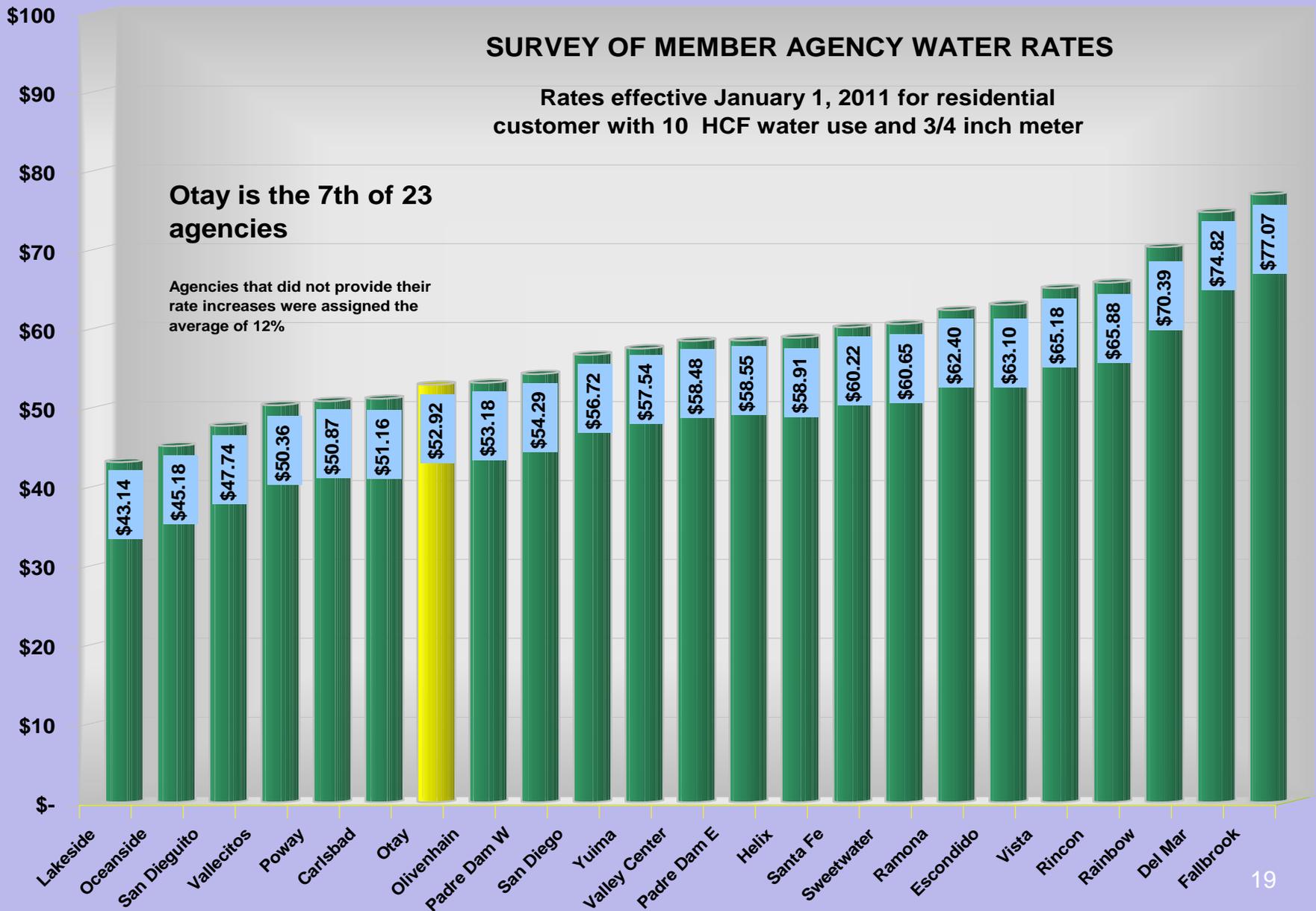
AA Credit Rating

- In September of 2008, the District was able to obtain a rating upgrade from S&P to an 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

Water Survey Results – 15 Units



Water Survey Results – 10 Units



RATE MODEL REVIEW

Sewer Rates

Sewer – Increased Cost

● Cost Increases \$26,000 or 0.9%

- Increase in Public Utilities Department – Wastewater Branch cost of \$57,600
- Increase in Spring Valley Sanitation District cost of \$33,900
- Decrease in labor & benefits cost of (\$213,000)
- Increase in temporary reclamation plant operator \$95,700 & lab outsource \$30,000
- Increase \$150,000 Waste Water Master Plan and CCTV

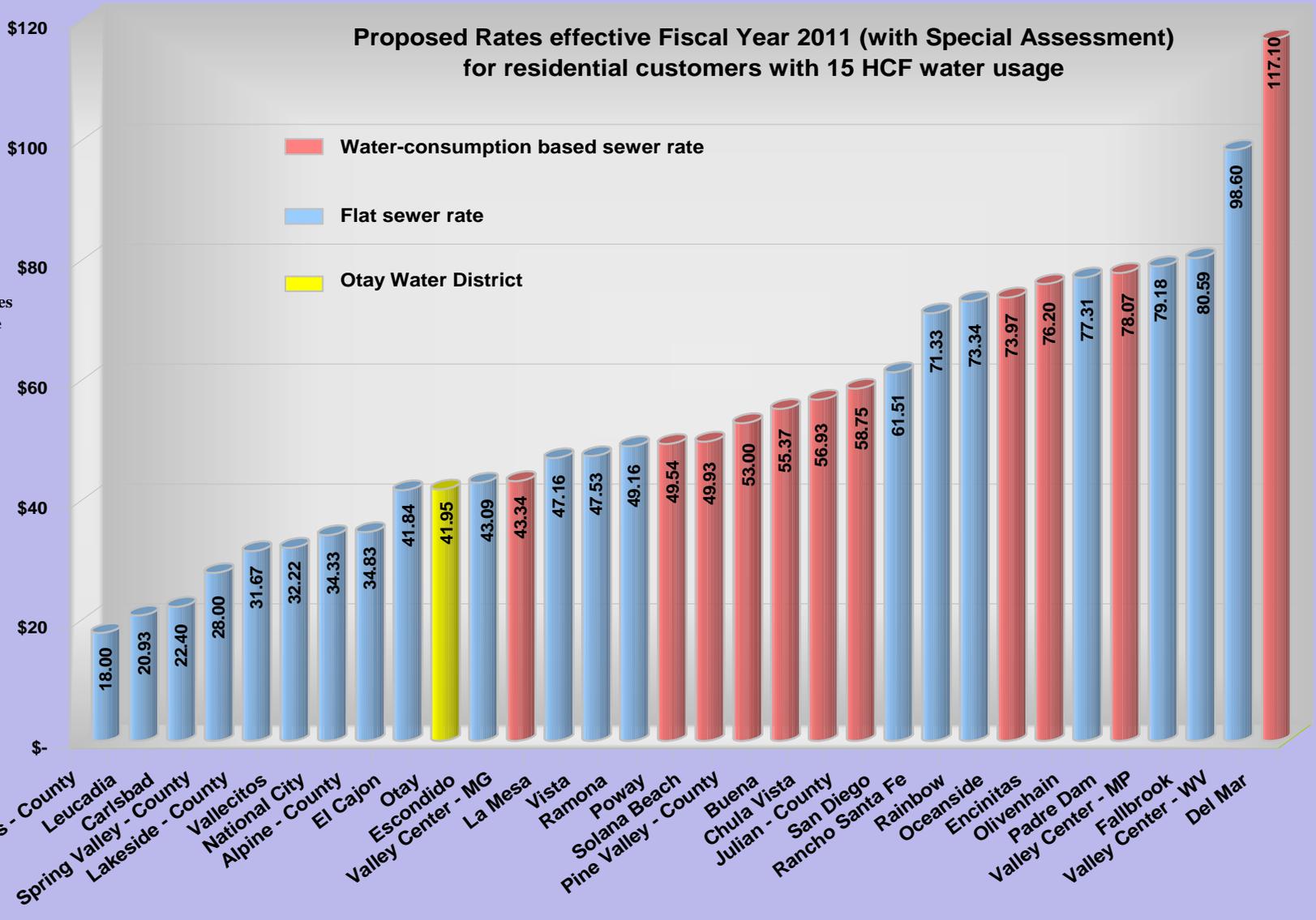
● Sewer Rate Increase

- 6.8% for two years
- 6.5% for next three years

Sewer Survey Results

Sewer Rate Comparison in San Diego County

Proposed Rates effective Fiscal Year 2011 (with Special Assessment)
for residential customers with 15 HCF water usage



Otay is the 10th
of 32 Agencies

Agencies that did not
provide their rate increases
were assigned the average
of 7%

Efficiencies Through Strategic Management (Geoff Stevens)

Strategic Planning

Planning, Action, Efficiency



A Purpose Driven Plan

- The Strategic Plan determines the direction of the District



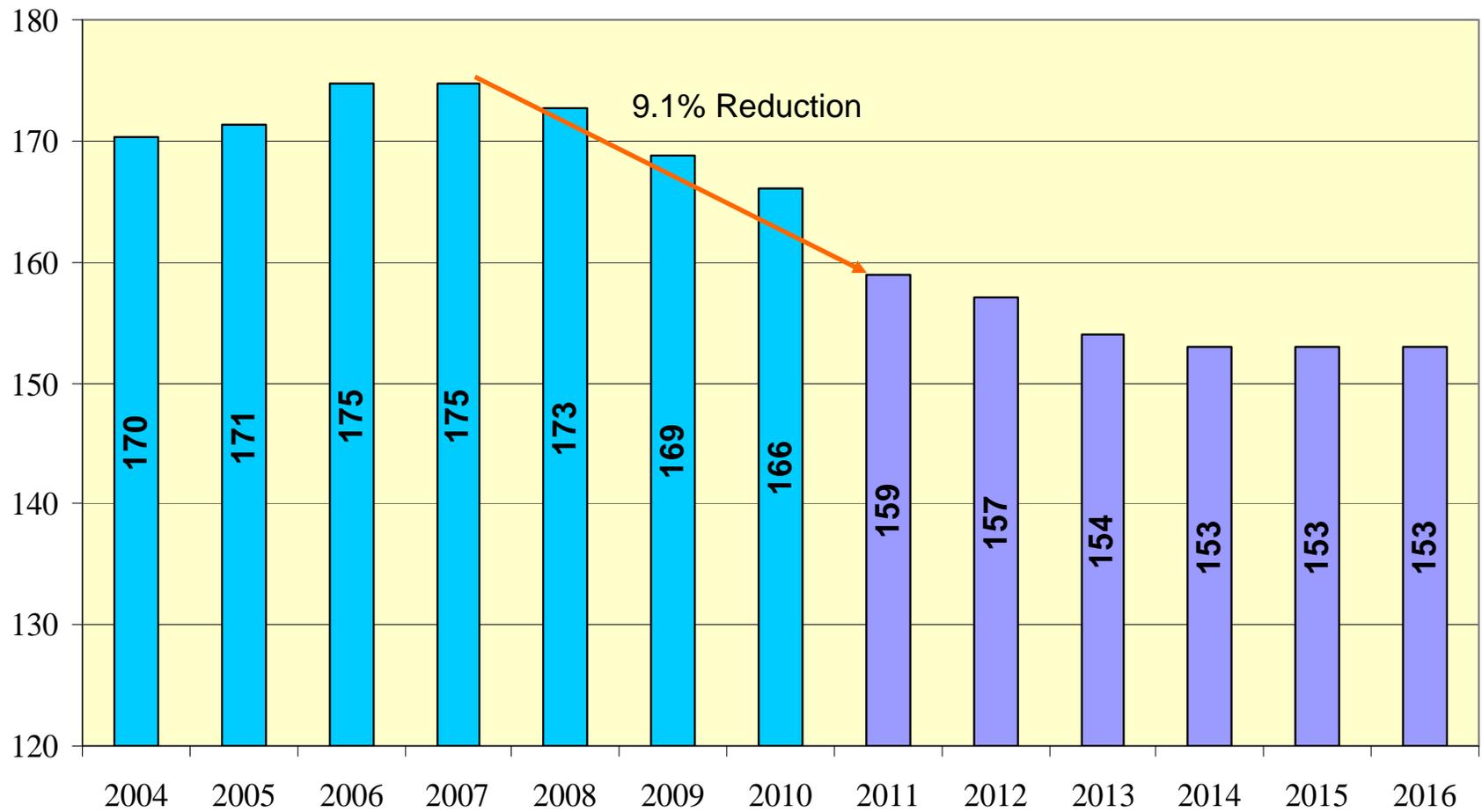
- The Board approves the direction of the District through the Strategic Plan
- Our functioning plan creates more efficiency District-wide

Where We've Been

- This is the District's 3rd Strategic Plan 2009-2011
- In 2009, the current plan defines 73 objectives
- These objectives were developed by the Senior Management Team and approved by the Board

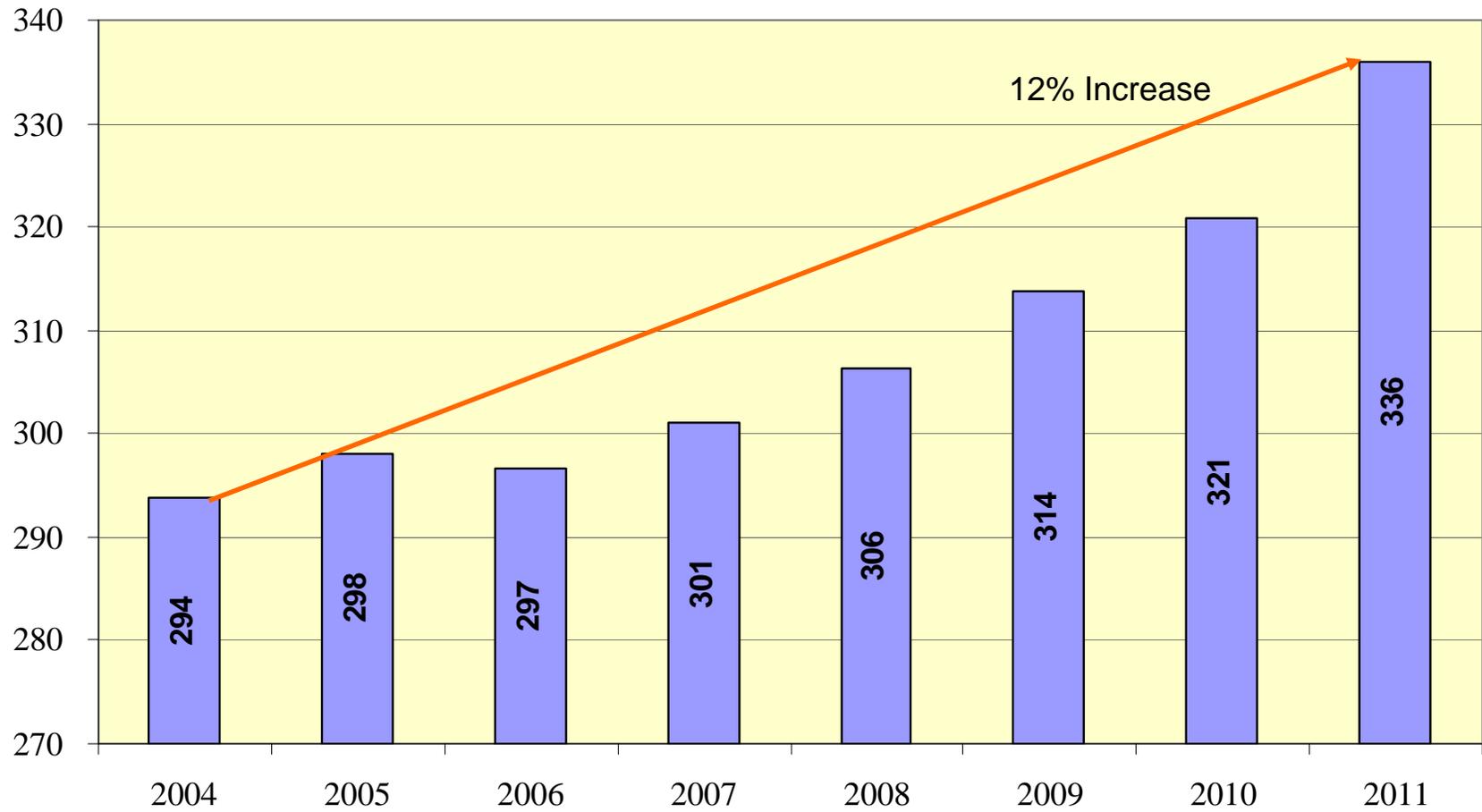


Staffing Reductions

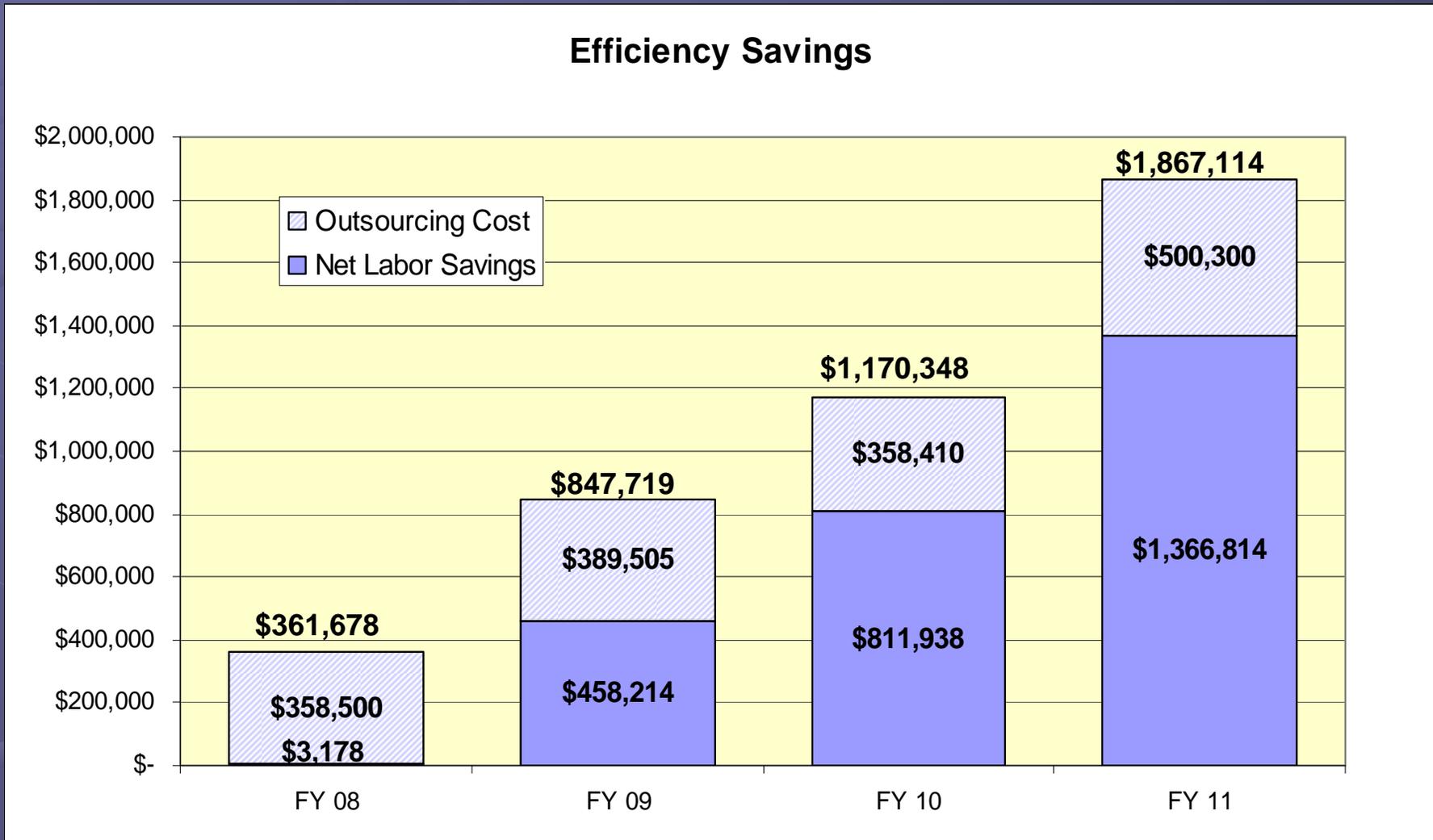


Efficiencies

Customers per FTE



Efficiency Savings



Efficiencies - IT and Strategic Planning

● Asset Management

- Total lifecycle costs of maintaining \$600 million in fixed assets

● Report Manager – SharePoint

- Right information – easily available
- Numerous reports – instantly available
 - Lessens manual work

Efficiencies – Administrative Services

- Automated personnel requisition and application
- Eliminated warehouse/delivery worker and facilities maintenance technician positions
- Landscape redesign
- Security standards established
- Mobile drug testing

Efficiencies - Finance

- AMR and outsourcing of meter box clean-out allows for more productive field staff

	Meters	Meter Readers
2010	48,635	7 to 9
2011	48,761	5

- Accounting staff reduced by 1 FTE
- E-billing will reduce printing and mailing costs by \$144,000
- Bill warehousing reduces postage
- Improved collection process

Efficiencies - Operations

- Outsource laboratory analysis due to a vacancy, with a savings of \$71,000 per year and eliminated one vehicle
- Reduced chlorine cost by \$29,000 due to increased competitive bidding
- Reallocation of operations staff enabled us to reduce one crew leader position
- Management fleet program resulted in \$46,300 savings or a 20% reduction in fuel usage

Efficiencies - Engineering

● IMS Integration of Inspection and Survey Divisions

- Electronic daily reporting
- Report consistency/accuracy enhanced
- Reduced inspection FTE from 5 to 3

● Construction Division CIP Documents

- Project managers and technicians relieved of CIP document reports/controls
- Public services technician's duties increased for CIP documents reports/controls

CAPITAL IMPROVEMENT PROGRAM (Rod Posada)

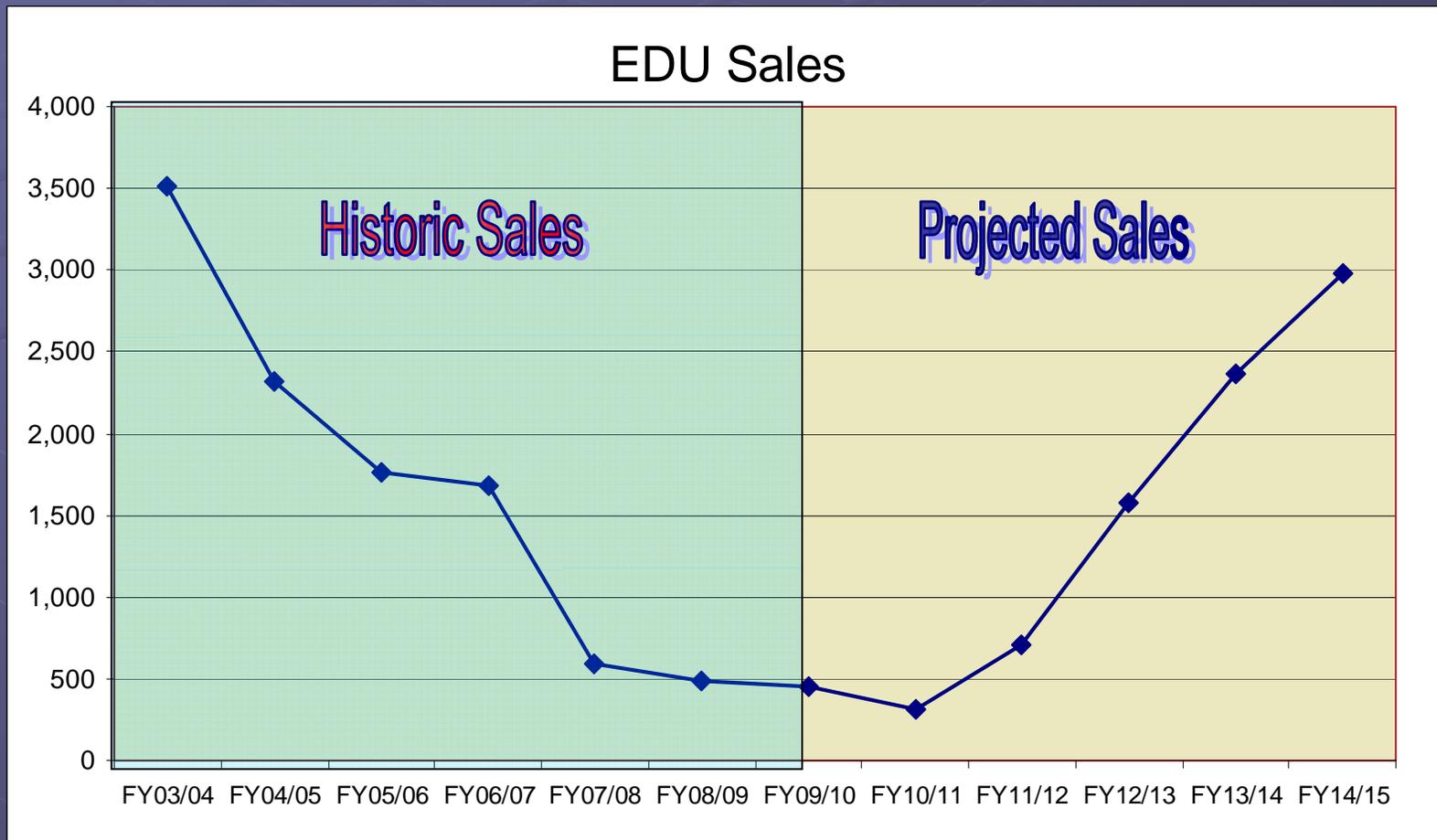
Growth Projections



- ◆ Development remains down and the District has experienced a significant slowing of growth in the last three years.
- ◆ The housing market in the region and within the City of Chula Vista is projected to remain slow for at least another year, with an upturn in the years ahead.
- ◆ 42% of new industrial land and 20% of new residential land is located in the Otay Water District.

Meter Sales and Growth

- Projected to sell 223 Potable and 89 Recycled EDUs in FY 2011



CIP Budget Assumptions

- Growth to remain flat for FY 2011
- Projects for expansion, betterment, and replacement are included within the CIP
- Six-year CIP expenditure plan to be as level as possible. However, there would be an increase in expenditures in FY 2012 and FY 2013 due to the Rosarito Desalination, the North District-South District Interconnection, and Otay Mesa Recycled Water Link projects
- The Engineering News-Record Construction Cost Index projects increases to 7.3% from January 2010 to December 2011
- SDCWA Construction Index for the same period projects an increase of 9.6%

CIP Planning Documents

- Integrated Water Resources Plan (IRP)
- Water Resources Master Plan (WRMP)
- Sewer System Management Plan (SSMP)
- Sub-Area Master Plan (SAMP)
- Urban Water Management Plan (UWMP)
- Strategic Plan
- Asset Management Plan (In-Progress)
- Waste Water Master Plan (WWMP) (In-Progress)

CIP Project Criteria

- Condition of existing facilities
- Operating system requirements
- Improvements in potable, recycled, and sewer systems
- Regulatory and permitting requirements
- Agreement commitments
- Developer driven facilities
- Economic outlook and growth projections
- Board of Directors and management directives

CIP 6-Year Budget Look Forward

(\$ Millions)

FY 2010

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Totals	\$37.3	\$30.0	\$42.4	\$43.8	\$35.0	\$33.9
Six-Year Total:						\$222.4

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
Six-Year Total:						\$181.4

Otay Water District Initiatives

Six-Year CIP Expenditure Projection

(\$ Millions)

Integrated Water Resources Plan Supply Projects	\$97.8
Recycled Water Projects	34.8
Renewal & Replacement Projects	28.0
Sewer/Wastewater Projects	7.7
Capital Purchases	7.5
Environmental Projects	1.7
Others	3.9
<u>Total Expenditure Projection</u>	<u>\$181.4</u>

High Profile CIP Projects

FY 2011 Projection
(\$ Millions)

Otay Mesa Recycled Water Supply Link	\$ 8.1
CIP Projects Currently and Planned to be in Construction	\$ 7.8
AMR Manual Meter Replacement	\$ 1.5
RWCWRF Upgrades and Modifications	\$ 1.2
Rancho del Rey Well	\$ 1.0
Rosarito Desalination	\$ 1.0
North District-South District Interconnection	\$ 0.8
Other Projects	<u>\$ 7.1</u>
<u>Total Expenditure Projection</u>	<u>\$28.5</u>

BALANCED OPERATING BUDGET

(Rita Bell)

FY 2011 Operating Budget

- ◆ Budget Process
- ◆ Budget Highlights
- ◆ Budget Details
- ◆ Conclusion

Budget Process

- Aligning the rate model, Operating and CIP Budgets
- Examined growth and cost changes
- Analyzed budget methodology and past projections
- Review of all Operating and CIP Budget requests
- Finance staff, General Manager, and Assistant General Managers met with departments to determine reasonableness of budget requests and made adjustments where necessary

Budget Challenges

- CWA water cost increases
- Reduced sales projection
- Focused CIP on new supplies of water
- Revised capacity and annexation fees
- Maintain reserve and debt coverage levels
- Maintaining water and sewer rate position relative to other agencies in the region

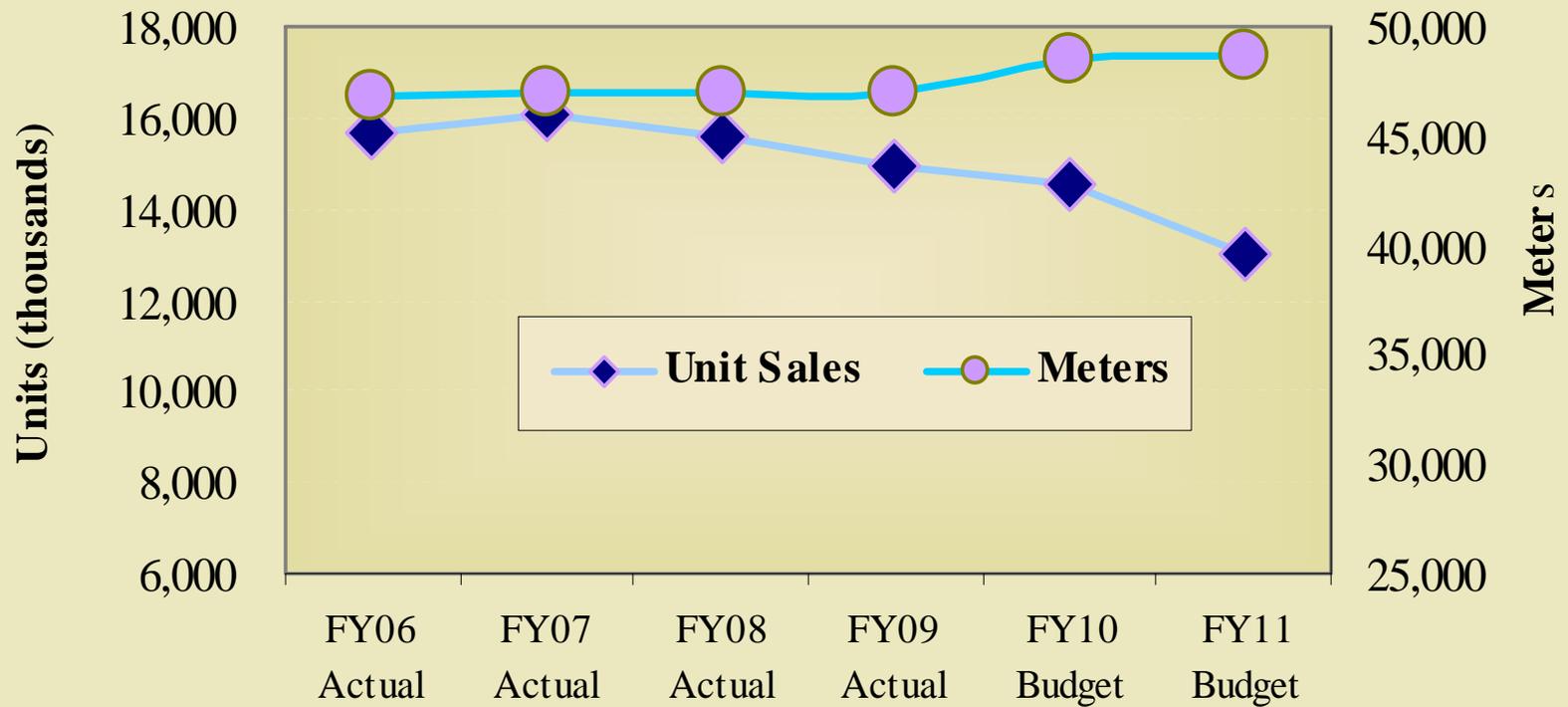
Growth

The District is projected to serve approximately 48,761 individual water customer accounts. We anticipate continued increases in the number of water customers but at a slower rate.

	Actual		Projected			
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Potable	47,591	47,608	47,804	48,060	48,473	49,462
Recycled	567	671	695	701	719	743
Total	48,158	48,279	48,499	48,761	49,191	50,205

Water Sales

UNIT SALES AND METER TRENDS



Budget Details – Potable Revenues

- Potable water volume decrease of (3,426 AF) or (10.3%)
- Sales dollar decrease of (\$140,600) or (0.2%)

Water Sales (Variable)	(\$1,309,90000)	(3.5%)
System Fees	\$124,200	1.3%
Energy Fees	(\$126,600)	(6.4%)
MWD & CWA Fixed Fees	\$1,128,200	17.3%
Penalties	\$43,500	6.2%

- Fixed fees set at 28% of total water revenue per Best Management Practices 11

Budget Details – Recycled Revenues

- Recycled water volume decrease of (262 AF) or (5.7%)
- Recycled water sales increase \$18,100 or 0.2%

MWD & CWA Incentive Credits	(\$99,400)	(5.7%)
Water Sales (Variable)	\$102,900	2.0%
System Fees	\$10,900	4.3%
Energy Fees	(\$1,900)	(0.5%)
Penalties	\$800	1.2%

Budget Details - Sewer Revenues

- Rate increase of 6.8%
 - Sewer increases to be determined with winter averages of single & multi-family residential customers
 - Increases for all other customers based on annual usage
 - Usage overall is down due to conservation and weather

Single-Family	(\$14,400)	(0.9%)
Multi-Family	\$10,800	3.7%
Schools	\$9,800	7.7%
Churches	(\$5,700)	(15.1%)
Commercial	\$23,100	11.9%
Penalties	\$2,100	7.5%

Budget Details – Other Revenues

- **Capacity Fee Revenues: Decrease 21.6% (\$301,700)**
 - Due to workload of operating projects funded by capacity fees
- **Betterment Fees for Maintenance: Increase 15.0% \$86,000**
 - Based on more maintenance work being performed
- **Annexation Fees: Decrease of (\$120,500)**
 - Due to change in annexation fee methodology
- **Tax Revenues: Decrease 1.0% (\$32,200)**
 - 3.4% reduction in assessed values for Chula Vista
- **Property Rentals: Increase 15.5% \$120,500**
 - Due to two new leases and inflators in agreements
- **Miscellaneous Revenue: Increase 73.4% \$112,500**
 - Due to increases in billable work orders

Water Cost

- Water Costs Decrease (\$798,300) (2.2%)
 - Variable Costs Decrease
 - Potable costs decrease (\$1,795,000) (6.4%)
 - Volume (12.6%)
 - Reductions in District usage and water loss
 - Recycled costs decrease (\$132,100) (10.2%)
 - (Volume -7.7%)
 - Fixed Cost Increase
 - Potable costs increase \$1,128,800 17.3%
 - Recycled costs no change \$0

Power

- Power Cost Decrease (\$116,100) (4.4%)
 - Water demand decrease (12.1%)
 - SDG&E rates increase 3.5% on January 1, 2011

Staffing Highlights

● Process

- Departments identified specific personnel actions for HR review
- Each year Senior Team conducts an analysis of:
 - Work load requirements
 - Existing vacancies

● Results

- Seven vacant positions were deleted, reducing FTE from 166 to 159

Labor and Benefits

- Salaries and Benefits Decrease of (\$463,400) or (2.7%)
 - Staff reduction and position changes decrease of (\$521,300)
 - Salary and Benefits
 - COLA and merit increases \$579,700
 - Net change to vacancy factor and vacation and sick leave taken \$11,500
 - Reduced overtime (\$12,400)
 - Benefit cost increases \$37,000
 - Charges to CIP increase causes decrease to operating by (\$557,900) for
 - Labor and benefits (\$391,000)
 - Overhead allocation (\$166,900)

Administrative Expense

- Administrative Expense Budget Increase of \$262,400 or 4.9%
 - Increase in temporary help \$184,100
 - Increase in services by \$323,400
 - HR Classification Study, safety consultant, lab outsourcing, Waste Water Master Plan, CCTV workload increase, and Urban Water Management Plan
 - Increase in conservation \$20,000
 - \$97,200 in residential and \$50,000 in commercial conservation programs, offset by \$120,000 in grant revenue
 - Offset by decreases due to the following items:
 - Reduced paving program (\$100,000)
 - General office expense (\$65,900)
 - Customer service and accounting (\$71,500)
 - Decrease in the overhead allocation of (\$97,400)

Materials & Maintenance

- Overall Decrease of (\$32,100) or (0.8%)

- Increases of:

- Meters & materials of \$51,500
- Sewer – Public Utilities Department – Wastewater Branch costs of \$57,600
- Sewer - Spring Valley Sanitation District costs of \$33,900

- Offset by decreases of:

- Chemicals (\$56,500)
- Safety equipment (\$100,800)
- Contracted services (\$16,700)

Budget Summary

	<u>POTABLE</u>	<u>RECYCLED</u>	<u>SEWER</u>	<u>TOTAL</u>
REVENUES:				
Water Sales	\$56,333,900	-	-	\$56,333,900
Recycled Water Sales	-	\$7,620,600	-	7,620,600
Sewer Charges	-	-	\$2,270,500	2,270,500
Other Revenues	9,654,100	22,500	1,102,300	10,778,900
TOTAL REVENUES	\$65,988,000	\$7,643,100	\$3,372,800	\$77,003,900
EXPENDITURES & TRANSFERS:				
Water Purchases	\$33,877,300	\$1,179,900	-	\$35,057,200
Power	1,915,900	529,800	\$75,000	2,520,700
Labor and Benefits	14,951,000	1,086,800	711,600	16,749,400
Administrative Expenses	4,607,200	343,100	641,300	5,591,600
Material & Maintenance	2,046,600	303,000	1,419,900	3,769,500
Subtotal Expenditures	57,398,000	3,442,600	2,847,800	63,688,400
Expansion Reserve	-	2,775,000	-	2,775,000
Betterment Reserve	-	315,000	1,120,000	1,435,000
Replacement Reserve	6,245,000	720,000	-	6,965,000
Transfer to GF Reserve	-	390,500	-	390,500
Transfer to Sewer GF	595,000	-	(595,000)	-
Transfer to Sewer Rep	1,750,000	-	-	1,750,000
Subtotal Transfers	8,590,000	4,200,500	525,000	13,315,500
TOTAL EXPENDITURES & TRANSFERS	\$65,988,000	\$7,643,100	\$3,372,800	\$77,003,900

Conclusion

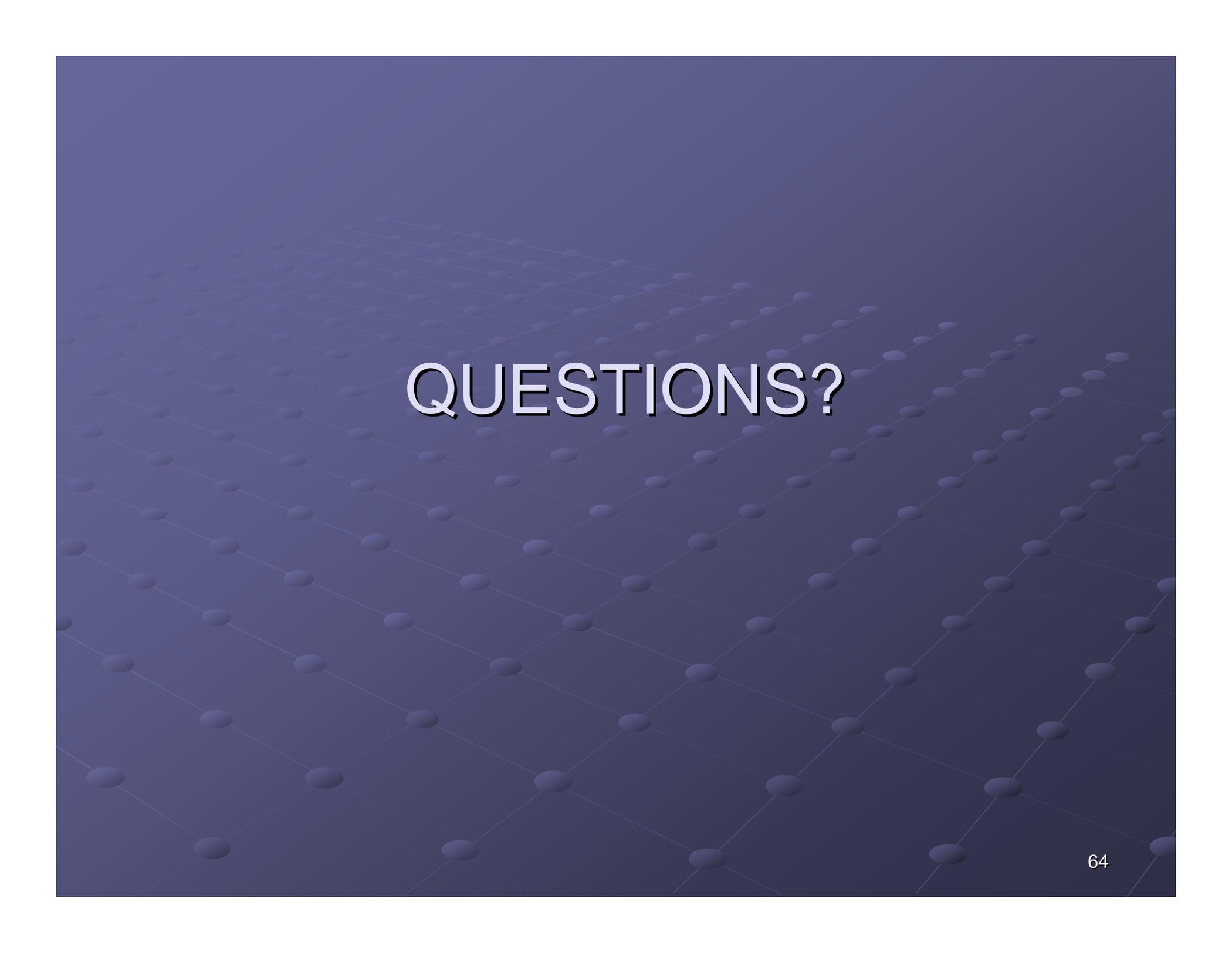
- Balanced budget which meets the needs of our customers
- Supported by a 10.9% potable and recycled water rate increase
- Supported by a 6.8% rate increase in sewer charges



SUMMARY OF RECOMMENDATIONS

Summary of Recommendations

1. Adopt Resolution No. 4159 to approve the FY 2010-2011 Operating and CIP Budget
2. Approve the fund transfers
3. Approve Ordinance No. 525 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?



Residential Water Rate Increase Effective January 1, 2011

Dear Customer,

Effective January 1, 2011 you will notice changes in your bill.

An overall rate increase of 10.9% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2010. For a typical residential water customer using 15 units of water per month, your residential water bill will increase by \$5.63. The new water rates and charges will appear on bills issued beginning January 1, 2011 and will apply to all water used beginning in the month of December 2010.

To continue providing reliable, high-quality water services, the District must have the ability to implement certain rate increases and pass-through higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority (CWA).

Water wholesalers are raising their water rates to obtain new and reliable supplies of water. The new supplies include seawater desalination, more reliable emergency resources, canal lining projects, and agricultural to urban water transfers. Rate increases cover the cost of acquiring imported water from the Colorado River and Northern California, in addition to ongoing efforts to develop new and more reliable water supplies.

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

This letter serves as a 30-day notice of rate increases. For more information, please visit www.otaywater.gov or by email to info@otaywater.gov.

Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978
619-670-2272

www.otaywater.gov

Typical Bill at 15 Units per Month

For a typical single-family residential customers, as of January 1, 2011, your bill will increase by \$5.63. Your bill will vary based on meter size, water consumption and geographic location.

	MWD/CWA ¹	System Fee ¹	Water Rate ²	Energy Charge ⁴	Water Charge by Improvement District ⁵	Total
Current	\$9.77	\$14.58	\$34.65	\$2.24	\$0.85	\$62.09
New	\$11.82	\$14.58	\$38.10	\$2.34	\$0.88	\$67.72
					Increase in monthly water bill	\$5.63

Consumption Blocks and System Fees by Meter Size

Single Family Consumption Blocks (units) ²			Current	January 1, 2011
Conservation Tier³			\$1.35	\$1.49
6	10		\$2.10	\$2.31
11	22		\$2.73	\$3.00
23+			\$4.21	\$4.63

Current			January 1, 2011			
Meter Size	System Fee	MWD/CWA	Total	System Fee	MWD/CWA	Total
0.75"	\$14.58	\$9.77	\$24.35	\$14.58	\$11.82	\$26.40
1"	\$18.52	\$16.28	\$34.80	\$18.52	\$19.69	\$38.21
1.5"	\$28.37	\$32.61	\$60.98	\$28.37	\$39.44	\$67.81
2"	\$40.18	\$52.15	\$92.33	\$40.18	\$63.07	\$103.25

Other Charges

	Current	January 1, 2011
Energy Charges⁴	\$0.038	\$0.044
Improvement District⁵ No. 3	\$0.18	\$0.19
Improvement District⁵ No. 10	\$0.26	\$0.27
La Presa⁵	\$0.07	\$0.08

Footnotes

1. 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.
2. 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.
3. The Conservation Tier discount applies toward the first five units when overall consumption is ten units or less.
4. The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This only applies to elevations above 450 feet. This increase is necessary due to increased power costs to the District.
5. 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.

This information reflects only changes to rates. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at www.otaywater.gov.



Residential and Multi-Residential Sewer Rate Increase Effective January 1, 2011

Dear Customer,

Effective January 1, 2011 you will notice changes in your bill.

An overall rate increase of 6.8% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2010.

The new sewer rates and charges will appear on bills issued beginning January 1, 2011 and will apply to sewage flows for the months beginning December 2010. For a typical residential sewer customer whose water usage is approximately 15 units per month, your sewer bill will increase by \$2.18 per month.

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 have the ability to implement certain rate increases and pass-through higher costs from the District's public sewage treatment and disposal agency providers, including the City of San Diego and the County of San Diego.

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 .

This letter serves as a 30-day notice of rate increases. For more information, please visit www.otaywater.gov.

Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978
619-670-2272
www.otaywater.gov

Rate Increase Effective January 1, 2011

As of January 1, 2011, the monthly sewer service charge for a typical single-family residential customer will be calculated as follows:

Usage Fee Rate x Winter Average + a Monthly Base Fee

	Usage Fee	Base Fee	Total
Current	\$19.89	\$10.80	\$30.69
New	\$21.30	\$11.57	\$32.87

	Current Base Fee	January 1, 2011
.75"	\$10.80	\$11.57
1.00"	\$15.75	\$16.87
Typical Customer at 15 Units per	\$1.56	\$1.67

A typical bill is based on 12.75 units (15 units - 2.25 units). This 15% discount is an acknowledgement that all water purchased does not go to the sewer system. The maximum bill for a .75" meter is \$61.70. The maximum bill for a 1.0" meter (based on 30 units per month, after the 15% discount) would be \$67.00.

New customers will have a Winter Average assigned of 15 units and pay \$32.87 per month.

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. Multi-Residential accounts are charged \$54 per dwelling unit for sewer debt.

This information reflects only changes to rates. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at www.otaywater.gov.



Public and Commercial Water Rate Increase Effective January 1, 2011

Dear Customer,

Effective January 1, 2011 you will notice changes in your bill.

An overall rate increase of 10.9% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2010. The new water rates and charges will appear on bills issued beginning January 1, 2011 and will apply to all water used beginning in the month of December 2010.

To continue providing reliable, high-quality water services, the District must have the ability to implement certain rate increases and pass-through higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority (CWA).

Water wholesalers are raising their water rates to obtain new and reliable supplies of water. The new supplies include seawater desalination, more reliable emergency resources, canal lining projects, and agricultural to urban water transfers. Rate increases cover the cost of acquiring imported water from the Colorado River and Northern California, in addition to ongoing efforts to develop new and more reliable water supplies.

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

This letter serves as a 30-day notice of rate increases. For more information, please visit www.otaywater.gov or by email to info@otaywater.gov.

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Consumption Blocks and System Fees by Meter Size

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

Consumption Blocks (units) ¹	Current Rates	January 1, 2011
0 - 173	\$2.22	\$2.44
174 - 831	\$2.27	\$2.50
832 or more	\$2.31	\$2.54

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

Consumption Blocks (units) ¹	Current Rates	January 1, 2011
0 - 7,426	\$2.22	\$2.44
7,427 - 14,616	\$2.27	\$2.50
14,617 or more	\$2.31	\$2.54

Meter Size	Current			January 1, 2011		
	System Fee ²	MWD/CWA ²	Total	System Fee ²	MWD/CWA ²	Total
3/4"	\$14.58	\$9.77	\$24.35	\$14.58	\$11.82	\$26.40
1"	\$18.52	\$16.28	\$34.80	\$18.52	\$19.69	\$38.21
1 1/2"	\$28.37	\$32.61	\$60.98	\$28.37	\$39.44	\$67.81
2"	\$40.18	\$52.15	\$92.33	\$40.18	\$63.07	\$103.25
3"	\$71.68	\$104.30	\$175.98	\$71.68	\$126.14	\$197.82
4"	\$107.13	\$162.98	\$270.11	\$107.13	\$197.11	\$304.24
6"	\$205.59	\$325.92	\$531.51	\$205.59	\$394.17	\$599.76
8"	\$323.73	\$521.51	\$845.24	\$323.73	\$630.71	\$954.44
10"	\$461.57	\$749.61	\$1,211.18	\$461.57	\$903.58	\$1,368.15

Other Charges

	Current	January 1, 2011
Energy Charges ³	\$0.038	\$0.044
Improvement District ⁴ No. 3	\$0.18	\$0.19
Improvement District ⁴ No. 10	\$0.26	\$0.27
La Presa ⁴	\$0.07	\$0.08

Footnotes

- 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.
- 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 only applies to elevations above 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 Ordinances at www.otaywater.gov.



Recycled Water Rate Increase Effective January 1, 2011

Dear Customer,

Effective January 1, 2011 you will notice changes in your bill.

An overall rate increase of 10.9% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2010. The new water rates and charges will appear on bills issued beginning January 1, 2011 and will apply to all water used beginning in the month of December 2010.

To continue providing reliable, quality recycled water services, the District must have the ability to implement certain rate increases and pass-through higher costs for recycled water.

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

This letter serves as a 30-day notice of rate increases. For more information, please visit www.otaywater.gov or by email to info@otaywater.gov.

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Consumption Blocks and System Fees by Meter Size

The following tables show the rate increase effective January 1, 2011:

Recycled Water Usage Fee ¹ (.75" to 1.0" meter)			Recycled Water Usage Fee ¹ (1.5" to 2.0" meter)		
Consumption Blocks (units) ¹	Current	January 1, 2011	Consumption Blocks (units) ¹	Current	January 1, 2011
0-42	\$2.58	\$2.84	0-168	\$2.58	\$2.84
43-97	\$2.62	\$2.88	169-402	\$2.62	\$2.88
98 or more	\$2.67	\$2.94	403 or more	\$2.67	\$2.94

Recycled Water Usage Fee ¹ (3" & 4" meter)			Recycled Water Usage Fee ¹ (> 6" meter)		
Consumption Blocks (units) ¹	Current	January 1, 2011	Consumption Blocks (units) ¹	Current	January 1, 2011
0-403	\$2.58	\$2.84	0-7,916	\$2.58	\$2.84
404-820	\$2.62	\$2.88	7,917-16,357	\$2.62	\$2.88
821 or more	\$2.67	\$2.94	16,358 or more	\$2.67	\$2.94

Other Charges

	Current	January 1, 2011
Energy Charges ²	\$0.038	\$0.044

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. Energy Charges represent the cost of energy required to pump each unit of recycled water 100 feet in elevation. This only applies to elevations above 450 feet. This increase is necessary due to increased power costs to the District.

This information reflects only changes to rates. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at www.otaywater.gov.



Commercial Sewer Rate Increase Effective January 1, 2011

Dear Customer,

Effective January 1, 2011 you will notice changes in your sewer bill.

An overall rate increase of 6.8% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2010.

The new sewer rates and charges will appear on bills issued beginning January 1, 2011 and will apply to sewage flows for the months beginning December 2010.

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 have the ability to implement certain rate increases and pass-through higher costs from the District's public sewage treatment and disposal agency providers, including the City of San Diego and the County of San Diego.

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.

This letter serves as a 30-day notice of rate increases. For more information, please visit www.otaywater.gov.

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Rate Increase Effective January 1, 2011

To Calculate 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 daily flow, chemical oxygen demand (COD) and the removal of suspended solids (SS). The COD and SS determine whether the strength factor is high, medium, or low, consistent with the State Water Resources Control Board 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

	Current	January 1, 2011
Rate per ASU	\$ 36.88	\$39.39

The sewer bill is then calculated by multiplying the ASUs by the rate per ASU. This charge is increasing by \$2.51 per ASU from \$36.88 to \$39.39. The rate increase will become effective January 1, 2011.

A \$54 per ASU assessment is collected on the property tax bill for sewer debt. The state sewer loan will be paid in full by 2012.

This information reflects only changes to rates. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at www.otaywater.gov.



Master Meter Water Rate Increase Effective January 1, 2011

Dear Customer,

This letter serves as a 30-day notice of rate increases. Effective January 1, 2011 you will notice changes in your bill.

An overall rate increase of 10.9% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2010. The new water rates and charges will appear on bills issued beginning January 1, 2011 and will apply to all water used beginning in the month of December 2010.

To continue providing reliable, high-quality water services, the District must have the ability to implement certain rate increases and pass-through higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority (CWA).

Water wholesalers are raising their water rates to obtain new and reliable supplies of water. The new supplies include seawater desalination, more reliable emergency resources, canal lining projects, and agricultural to urban water transfers. Rate increases cover the cost of acquiring imported water from the Colorado River and Northern California, in addition to ongoing efforts to develop new and more reliable water supplies.

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

For more information, please visit www.otaywater.gov or by email to info@otaywater.gov.

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Consumption Blocks and System Fees by Meter Size

Master Metered

Consumption Blocks (units) ¹	Current Rates	January 1, 2011
0 - 4	\$2.08	\$2.29
5 - 9	\$2.70	\$2.97
10 or more	\$4.15	\$4.57

Meter Size	Current			January 1, 2011		
	System Fee ²	MWD/CWA ²	Total	System Fee ²	MWD/CWA ²	Total
3/4"	\$14.58	\$9.77	\$24.35	\$14.58	\$11.82	\$26.40
1"	\$18.52	\$16.28	\$34.80	\$18.52	\$19.69	\$38.21
1 1/2"	\$28.37	\$32.61	\$60.98	\$28.37	\$39.44	\$67.81
2"	\$40.18	\$52.15	\$92.33	\$40.18	\$63.07	\$103.25
3"	\$71.68	\$104.30	\$175.98	\$71.68	\$126.14	\$197.82
4"	\$107.13	\$162.98	\$270.11	\$107.13	\$197.11	\$304.24
6"	\$205.59	\$325.92	\$531.51	\$205.59	\$394.17	\$599.76
8"	\$323.73	\$521.51	\$845.24	\$323.73	\$630.71	\$954.44
10"	\$461.57	\$749.61	\$1,211.18	\$461.57	\$903.58	\$1,368.15

Other Charges

	Current	January 1, 2011
Energy Charges ³	\$0.038	\$0.044
Improvement District ⁴ No. 3	\$0.18	\$0.19
Improvement District ⁴ No. 10	\$0.26	\$0.27
La Presa ⁴	\$0.07	\$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 only applies to elevations above 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 Ordinances at www.otaywater.gov.



Landscape, Agricultural and Construction Water Rate Increase Effective January 1, 2011

Dear Customer,

Effective January 1, 2011 you will notice changes in your bill.

An overall rate increase of 10.9% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2010. The new water rates and charges will appear on bills issued beginning January 1, 2011 and will apply to all water used beginning in the month of December 2010.

To continue providing reliable, high-quality water services, the District must have the ability to implement certain rate increases and pass-through higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD) and the San Diego County Water Authority (CWA).

Water wholesalers are raising their water rates to obtain new and reliable supplies of water. The new supplies include seawater desalination, more reliable emergency resources, canal lining projects, and agricultural to urban water transfers. Rate increases cover the cost of acquiring imported water from the Colorado River and Northern California, in addition to ongoing efforts to develop new and more reliable water supplies.

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

This letter serves as a 30-day notice of rate increases. For more information, please visit www.otaywater.gov or by email to info@otaywater.gov.

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Consumption Blocks, System Fees by Meter Size

Water Usage Fee ¹ - Landscape, Agricultural, and Consumption Blocks (units) ¹	Construction Water (.75" to 1" meter) Current	January 1, 2011
0 - 49	\$3.02	\$3.32
50 - 132	\$3.08	\$3.39
133 or more	\$3.14	\$3.45

Water Usage Fee ¹ - Landscape, Agricultural, and Consumption Blocks (units) ¹	Construction Water (1.5" to 2" meter) Current	January 1, 2011
0 - 144	\$3.02	\$3.32
145 - 355	\$3.08	\$3.39
356 or more	\$3.14	\$3.45

Water Usage Fee ¹ - Landscape, Agricultural, and Consumption Blocks (units) ¹	Construction Water (3"+ meter) Current	January 1, 2011
0 - 1,044	\$3.02	\$3.32
1,045 - 8,067	\$3.08	\$3.39
8,068 or more	\$3.14	\$3.45

Meter Size	Current			January 1, 2011		
	System Fee ²	MWD/CWA ²	Total	System Fee ²	MWD/CWA ²	Total
3/4"	\$14.58	\$9.77	\$24.35	\$14.58	\$11.82	\$26.40
1"	\$18.52	\$16.28	\$34.80	\$18.52	\$19.69	\$38.21
1 1/2"	\$28.37	\$32.61	\$60.98	\$28.37	\$39.44	\$67.81
2"	\$40.18	\$52.15	\$92.33	\$40.18	\$63.07	\$103.25
3"	\$71.68	\$104.30	\$175.98	\$71.68	\$126.14	\$197.82
4"	\$107.13	\$162.98	\$270.11	\$107.13	\$197.11	\$304.24
6"	\$205.59	\$325.92	\$531.51	\$205.59	\$394.17	\$599.76
8"	\$323.73	\$521.51	\$845.24	\$323.73	\$630.71	\$954.44
10"	\$461.57	\$749.61	\$1,211.18	\$461.57	\$903.58	\$1,368.15

Other Charges

	Current	January 1, 2011
Energy Charges ³	\$0.038	\$0.044
Improvement District ⁴ No. 3	\$0.18	\$0.19
Improvement District ⁴ No. 10	\$0.26	\$0.27
La Presa ⁴	\$0.07	\$0.08

Footnotes

1. 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.
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 only applies to elevations above 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 Ordinances at www.otaywater.gov.