

NOTICE OF PUBLIC HEARING ON PROPOSED CHANGE IN WATER RATES AND FEES

The City of Escondido (City) will conduct a public hearing on Wednesday, December 14, 2011 at 4:30 p.m. at 201 North Broadway, Escondido, California 92025 in the City Council Chambers to consider the adoption of changes in water rates. (Further details at the end of this notice)

Background and General Information

Based on its commitment to long-term planning and appropriate investment, the City recently conducted a water services Rate Study (Study) which evaluated service and infrastructure needs, operational costs, and the fairness of the rate structure. As a result of this study, the City implemented water rate increases and fairness adjustments effective March 1, 2011 with the understanding it would be necessary to implement further rate increases in 2012. These further increases are necessary to ensure the City honors its debt ratio bond covenants from prior bond issuances, to ensure the City can continue to offer a reliable, uninterrupted water supply, and to ensure the City can continue work on essential water infrastructure improvement projects.

There are no proposed changes or increases to the Wastewater fees at this time. In March 2011 Wastewater rates were successfully changed from a flat rate to a more equitable flow-based charge structure. The City has elected to begin phasing in necessary large Wastewater infrastructure projects in 2013 in order to minimize the impact to rate payers. It is anticipated the associated Wastewater rate increases will take effect 2013 through 2015.

Important note: The Utilities Department (Water and Wastewater) of the City of Escondido does not receive property taxes to offset costs.

Pass Through Costs

Commodity (Water use) Rate Increases for Imported Water (COE)

The City purchases a substantial portion of its water from the San Diego County Water Authority (CWA). CWA in turn purchases a majority of its water supplies from the Metropolitan Water District (MWD). MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and Northern California via the California Aqueduct. In recent years, several factors have impacted the cost and availability of these water supplies. The State has been in a multi-year drought and the Colorado River system is experiencing a nine year drought. Major reservoirs are recovering from historic lows and pumping restrictions in the Sacramento River Delta (Delta) have been imposed to protect the health of the Delta environment. These issues will continue to impact the cost of the wholesale water that the City purchases from SDCWA.

Metropolitan Water District - Readiness to Serve Charge (MWD)

The MWD Water Availability Charge (Readiness to Serve) is projected to increase from \$2.58 to \$2.86 per meter per month in 2012. This included a Delta Surcharge to obtain replacement water for State Project water that was lost because of environmental restrictions on the Sacramento River Delta. The City of Escondido will pass through the increase in the Readiness to Serve charge effective February 1, 2012 and subsequent increases will be effective January 1 of each subsequent year.

San Diego County Water Authority - Infrastructure Access Charge (IAC)

The SDCWA Infrastructure Access Charge is projected to increase from \$2.22 to \$2.60 per equivalent meter per month in 2012. The City of Escondido will pass through the increase in the Infrastructure Access Charge effective February 1, 2012 and subsequent increases will be effective January 1 of each subsequent year.

Uses of Funds

The rate increases will be used to address the following critical issues and planned investments:

- The ability to pay our debts as required by our previous bond issuances
- Replacement and restoration of storage capacity to seismically compromised Wohlford Dam, essential repairs to Vista Verde Reservoir, and replacement of Lindley Reservoir
- Repair and replacement of at risk for failure water pipes, facilities, and equipment
- Connections to San Diego County Water Authority treated water facilities

These activities and investments are designed to maintain and increase water reliability, meet public health goals, address new regulations, and increase financial stability. Whenever possible, the City is pursuing grant funding to offset the cost of these improvements. In fact, the City recently applied for and has successfully been awarded a grant for 50% of the funding for the Lake Wohlford Dam replacement. The Proposition 1E funds will be awarded by the Department of Water Resources (DWR). The City of Escondido was the only City in San Diego County to be awarded a portion of this Statewide grant opportunity.

Proposed Rate Schedule

Proposed Monthly Water User Rates for Potable Water

| | | Current Rate | February 1, 2012 |
|--|------------------|--------------|------------------|
| <u>WATER RATES</u> | <u>1,000 gal</u> | | |
| Single Family Residential | | | |
| Tier 1 | 0 to 7 | \$3.40 | \$3.81 |
| Tier 2 | 7 to 15 | \$4.15 | \$4.65 |
| Tier 3 | 15 + | \$5.29 | \$5.93 |
| Residential/Agricultural Use | | | |
| Tier 1 | 0 to 7 | \$3.40 | \$3.81 |
| Tier 2 | 7 + | \$4.31 | \$4.83 |
| Multi-Family Residential | | | |
| Tier 1 | 0 to 5 | \$3.40 | \$3.81 |
| Tier 2 | 5 to 7 | \$4.15 | \$4.65 |
| Tier 3 | 7 + | \$5.29 | \$5.93 |
| Commercial, Industrial & School | | \$4.10 | \$4.60 |
| Irrigation - Institutional | | \$4.43 | \$4.97 |
| Landscape Districts | | \$4.43 | \$4.97 |
| Wild Animal Park | | \$4.10 | \$4.60 |
| Special Unfiltered | | \$2.48 | \$2.78 |
| Agricultural Use | | \$3.00 | \$3.36 |
| SAWR Use | | \$3.31 | \$3.71 |

All rates per 1,000 gallons

Note: Water Availability Charge, Readiness to Serve Charge and Infrastructure Access Charge are shown as a single Water Service Charge on your water bill.

| Current Rates | COE | MWD | IAC |
|----------------|------------|----------|----------|
| 5/8" and 3/4" | \$19.25 | \$2.58 | \$2.22 |
| 1" | \$30.25 | \$4.15 | \$3.55 |
| 1 1/2" | \$57.75 | \$8.03 | \$6.66 |
| 2" | \$90.74 | \$12.89 | \$11.54 |
| 3" | \$195.23 | \$25.49 | \$21.30 |
| 4" | \$349.20 | \$39.81 | \$36.39 |
| 6" | \$772.64 | \$79.17 | \$66.56 |
| 8" | \$1,322.55 | \$126.85 | \$115.37 |
| 3/4" x 3" | \$273.31 | \$26.64 | \$36.39 |
| 1" x 4" | \$415.19 | \$41.96 | \$55.47 |
| 1 1/2" x 6" | \$827.71 | \$83.90 | \$110.94 |
| 3/4" x 3" x 6" | \$827.71 | \$103.09 | \$110.94 |
| 1" x 4" x 8" | \$1,322.63 | \$164.22 | \$177.49 |
| 2" x 6" | \$827.71 | \$92.06 | \$110.94 |
| 2" x 8" | \$1,322.63 | \$128.14 | \$177.49 |
| Detector Check | \$32.78 | | |

| February 1, 2012 | COE | MWD | IAC |
|------------------|------------|----------|----------|
| 5/8" and 3/4" | \$21.56 | \$2.86 | \$2.60 |
| 1" | \$33.88 | \$4.61 | \$4.16 |
| 1 1/2" | \$64.68 | \$8.91 | \$7.80 |
| 2" | \$101.63 | \$14.32 | \$13.53 |
| 3" | \$218.66 | \$28.31 | \$24.97 |
| 4" | \$391.11 | \$44.21 | \$42.66 |
| 6" | \$865.36 | \$87.95 | \$78.04 |
| 8" | \$1,481.26 | \$140.91 | \$135.28 |
| 3/4" x 3" | \$306.11 | \$29.59 | \$42.66 |
| 1" x 4" | \$465.02 | \$46.60 | \$65.03 |
| 1 1/2" x 6" | \$927.04 | \$93.20 | \$130.08 |
| 3/4" x 3" x 6" | \$927.04 | \$114.51 | \$130.08 |
| 1" x 4" x 8" | \$1,481.35 | \$182.42 | \$208.12 |
| 2" x 6" | \$927.04 | \$102.27 | \$130.08 |
| 2" x 8" | \$1,481.35 | \$142.34 | \$208.12 |
| Detector Check | \$36.72 | | |

Public Hearing

The City of Escondido will conduct a public hearing on **Wednesday December 14, 2011 at 4:30 p.m.** at 201 North Broadway, Escondido, California 92025 in the City Council Chambers to consider the adoption of changes in water rates.

Written Protests Accepted Prior to the Public Hearing

Protests must be submitted in writing to the City Clerk's office by 4:30 p.m. on Wednesday December 14, 2011, and will also be accepted at the Council Chambers at the public hearing. All written protests must be signed by the owner and contain a description of the property (address and/or Assessor Parcel Number). You may also fax your protests to 760-735-5782 or send your written protest to:

**City of Escondido
Office of the City Clerk
201 North Broadway
Escondido, CA 92025**

Important note: Please do not send protests by e-mail. They will not be accepted.

At the time of the public hearing, the City Council will receive a final tabulation of all written protests received by the City Clerk. The Council will then carefully consider the public input.



PRSRT STD
US POSTAGE PAID
ESCONDIDO, CA
PERMIT NO. 390

City of Escondido
201 North Broadway
Escondido, CA 92025

IMPORTANT INFORMATION ENCLOSED REGARDING YOUR WATER RATES