

CITY COUNCIL

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Reso No. _____ File No. _____

Ord No. _____

Agenda Item No.: 7
Date: January 12, 2011

TO: Honorable Mayor and Members of the City Council

FROM: Lori Vereker, Director of Utilities

SUBJECT: Rate Study Results and Water and Wastewater Rate Adjustments 2011 - 2015

RECOMMENDATION:

It is requested that Council receive the results of the rate study and approve the Water and Wastewater rate adjustments as described in Resolution 2011-03.

FISCAL ANALYSIS:

The recommendations for adjustments in water, wastewater and recycled water rates presented in this report and resolution 2009-96 are based on the Water and Wastewater Rate Study completed by Raftelis Financial Consultants. The report is available on line at <http://www.escondido.org/Data/Sites/1/pdfs/Utilities/WaterAndWastewaterRateStudyReport.pdf>. An executive summary has also been attached to this staff report. The rate study included an evaluation of the costs to provide service to each user category and recommendations to adjust rates accordingly. Rates were developed through analysis and evaluation of revenues and expenditures for 2011 - 2015. The rates developed are necessary to provide safe, reliable and sustainable water and wastewater service to our customers. With the proposed rates, the typical residential family bill will be adjusted as follows during the five year period:

Sample SFR Bill	Existing		Proposed Bill				
	Bill	2011	2012	2013	2014	2015	
Meter Charge	\$ 18.06	\$ 19.63	\$ 21.40	\$ 23.33	\$ 25.20	\$ 27.22	
Commodity Charge	\$ 55.45	\$ 58.17	\$ 63.49	\$ 69.30	\$ 74.96	\$ 81.00	
Subtotal	\$ 73.51	\$ 77.80	\$ 84.89	\$ 92.63	\$ 100.16	\$ 108.22	
MWD and CWA Charge	\$ 4.37	\$ 4.80	\$ 5.42	\$ 5.97	\$ 6.58	\$ 6.89	
SUBTOTAL WATER BILL	\$ 77.88	\$ 82.60	\$ 90.31	\$ 98.60	\$ 106.74	\$ 115.11	
Wastewater Charge	\$ 43.09	\$ 36.85	\$ 36.85	\$ 39.06	\$ 41.40	\$ 43.88	
TOTAL BILL	\$ 120.97	\$ 119.45	\$ 127.16	\$ 137.66	\$ 148.14	\$ 158.99	
% Increase		-1.3%	6.5%	8.3%	7.6%	7.3%	

The rates and fees called out in Resolution 2011-03 would be effective February 1, 2011, and January 1 for each subsequent year through 2015. A report will be given to Council on subsequent years to allow for discussion before the new rates for that year go into effect.

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WATER ENTERPRISE FUND:

Revenue sources for the Water Enterprise Fund include water sales, water service charges, connection charges and other miscellaneous revenue. With the new rates in place, it is anticipated that the total revenue for fiscal year 2010-11 will be \$41,635,648, up 3.7% from 2009-10.

Expenses from the Water Fund include operation and maintenance costs for the water treatment and distribution system, the canal and the lakes as well as capital projects, bond debt payments, and State Revolving Fund loan payments. The operating budget is estimated at \$43,254,545 for fiscal year 2010-11 up 5.4% from 2009-10, including \$7,926,120 for personnel costs, \$1,824,830 for water treatment chemicals, and \$19,822,900 for water purchases.

Water Fund Balance

The Water Fund had a negative balance going into 2006. Since that time, it has steadily increased to a closing balance of \$5,424,011 in FY 2009-10. The projected fund balance at June 30, 2011 is \$5,779,571. The 2010-11 budget shows a small increase to reserves. In order to provide adequate operating reserves, the Rate Study recommended a minimum balance of almost \$9 million. Increased costs for imported water and seismic upgrades to Wohlford Dam are expected to increase expenditures in the future. Additionally, increased cost for imported water coupled with reduced water sales revenue due to water conservation measures will further add to the fiscal stress on the fund. Grant funding and economic stimulus package funds are being pursued for water projects.

Proposed Water Rates

Water rates are proposed to change as follows:

<u>Effective Date</u>	<u>Increases</u>
February 1, 2011	9 percent
January 1, 2012	9 percent
January 1, 2013	9 percent
January 1, 2014	8 percent
January 1, 2015	8 percent

A detailed account of changes in water rates is included in Resolution 2011-03.

WASTEWATER ENTERPRISE FUND:

Revenues for the Wastewater Enterprise Fund include wastewater service charges, funding from the City of San Diego to treat the Rancho Bernardo area wastewater, the sale of recycled water, connection charges and other miscellaneous revenues. It is anticipated that the total revenues for fiscal year 2010-11 will be \$ 30,492,213, up 4.6% from 2009-10.

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The City has approximately 25,970 wastewater accounts. Of these, 23,850 are residential accounts, providing for 83% of the revenues from wastewater service charges. Non-residential accounts are much fewer in number (approximately 2,120 accounts); however, individual accounts utilize significantly more treatment capacity than residential customers.

Expenses from the fund include the operating budget for wastewater and reclaimed water treatment, maintenance of the wastewater collection system, reclaimed water distribution, stormwater management and regulatory compliance, capital projects, bond debt payments, and State Revolving Fund Loan payments. The operating budget is \$20,875,925 for fiscal year 2010-11, down 3.2% from 2009-10, including \$7,429,430 for personnel costs, \$700,000 for biosolids hauling, \$1,683,000 for electricity, and \$640,000 for treatment chemicals.

Wastewater Fund Balance History

At the beginning of fiscal year 2010-11, the Wastewater Fund had a balance of \$16,184,901. The ending balance was \$16,184,901. The projected fund balance at June 30, 2011, is \$18,130,645. The 2010-11 budget shows an approximate \$1.9M increase to reserves. Needed upgrades to the Hale Avenue Resource Recovery Facility to address peak flow capacity issues will begin in the near future. These upgrades will be costly (initial estimates of \$300M). Economic stimulus package funds and grant funding are being explored to help defray the cost of these projects.

Proposed Wastewater Rates

Wastewater rates adjustments are proposed as follows:

<u>Effective Date</u>	<u>Increases</u>
February 1, 2011	None
January 1, 2012	None
January 1, 2013	6 percent
January 1, 2014	6 percent
January 1, 2015	6 percent

Commercial wastewater charges vary widely based on flow and strength of their discharge. The rate study found that rates for various commercial accounts had to be adjusted in order to fairly allocate costs based on strength of the wastewater. Details of those adjustments can be found in resolution 2011-03.

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Recycled Water

Recycled water rates are proposed to remain at 90% of the lowest residential potable rate throughout the rate study period. Those rates are proposed to change as follows:

	February 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
Recycled Water Rate (\$/kgal)	\$3.13	\$3.41	\$3.73	\$4.03	\$4.36

RATE COMPARISONS:

The City's rate consultant conducted a water and wastewater rate survey between the City's rates and those of neighboring and comparable agencies in San Diego County. Rate surveys can provide insights into a utility's pricing policies related to service. The results of those rate comparisons can be found in the full rate study report located on the City's website. In general, the water rates are in the middle of the range of comparisons while the wastewater rates are on the lower end compared to other agencies.

PROPOSITION 218 NOTIFICATION and PUBLIC WORKSHOPS:

In compliance with Article XIID of the California State constitution and the Proposition 218 Omnibus Implementation Act, the City of Escondido mailed a notification of the proposed Water and Wastewater rate adjustments to all utility customers 45 days prior to the date of the rate hearing. Written protests to the rate adjustments have been collected through the City Clerk's office.

In addition, City staff will conduct public workshops and will make presentations to any interested groups as needed or requested.

Respectfully submitted,



Lori Vereker
Director of Utilities

EXECUTIVE SUMMARY

The City of Escondido (City) engaged Raftelis Financial Consultants, Inc. (RFC) to conduct a comprehensive water and wastewater rate study to determine the water and wastewater rates over the planning period from fiscal year (FY) 2011 to 2015. The rate study process was conducted in conjunction with input from a stakeholders group composed of residential, agricultural and business customers of the City. This report documents the resultant findings, analyses, and proposed changes that were developed with input from and approved by the stakeholders.

The major objectives of the study include the following:

1. Ensure *Revenue Sufficiency* to meet the operation and maintenance (O&M) and capital needs of the City's water and wastewater enterprises
2. Plan for *Rate and Revenue Stability* to prevent rate spikes and provide for adequate operating and capital reserves and the overall financial health of the water and wastewater enterprises under varying conditions
3. Ensure that rates are *Fair and Equitable* and are based on *Cost of Service* guidelines used in the industry

These objectives were prioritized by stakeholders. This executive summary provides an overview of the study and includes findings and recommendations for water, wastewater, and recycled water rates.

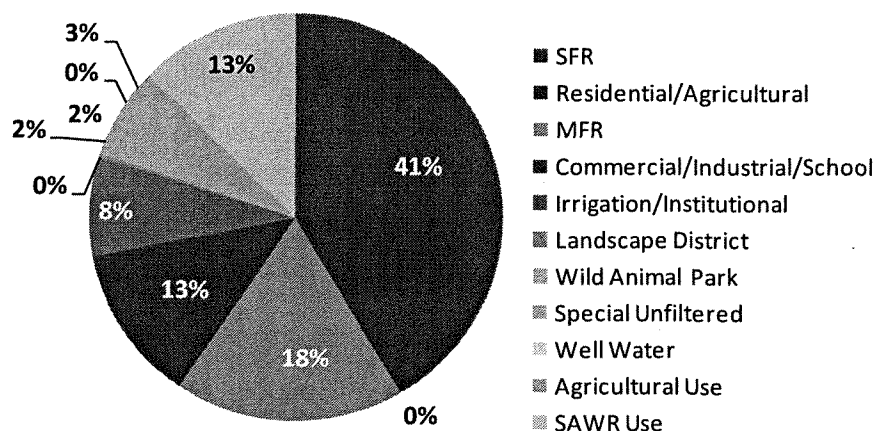
WATER UTILITY

System Background

The Water Division provides service to approximately 25,500 customers in a service area of over 37 square miles. Up to 30 percent of the City's annual water demand is met using local surface water and the remaining is purchased from the San Diego County Water Authority (SDCWA). Due to the drought conditions in recent years, purchased water costs have increased significantly.

The current water rate structure consists of a fixed monthly service charge that varies by meter size, a tiered commodity rate for residential and irrigation customers, and a uniform commodity rate for all other customer classes. Residential customers, including single family residential (SFR) and multi-family residential (MFR), used 59 percent of the total water consumed in fiscal year (FY) 2010, as shown in **Figure 1-1**. Agricultural use constituted 16 percent of the total water usage.

Figure 1-1
Usage by Customer Class - FY 10



Water accounts and usage are projected to grow at one percent in FY 2011 through 2013 and two percent in FY 2014 and 2015, except for irrigation and agricultural customers, projected to have a decrease of one percent in water usage in FY 2013 through 2015 due to conservation and the termination of MWD and the SDCWA agricultural rebate program.

Financing Plan

In order to determine water rates, RFC projected the revenue requirements, including operations and maintenance (O&M), capital improvement expenses, debt service costs, reserves requirements, etc., for the study period from FY 2011 to 2015. O&M expenses include the cost of operating and maintaining water supply, treatment, storage, and distribution facilities, as well as the costs of providing technical services such as laboratory services and other administrative costs of the water system such as meter reading and billing. The O&M projections are based on the City's FY 2011 budget and an inflationary factor of 3 percent in projecting all O&M expenditures, except salaries and benefits, which are projected to increase at 1 percent and 5 percent, respectively. Purchased water costs, which are tracked separately, are forecasted to increase at an average of approximately 12 percent per year over the study period (FY 2011 to 2015). These costs are based upon the latest projections provided by SDCWA and the Metropolitan Water Department (MWD).

In addition to the operating expenses, the City is planning significant capital expenditures over the next five years. The total Capital Improvement Program (CIP) expenditures over the five year period is \$69 million, approximately \$29 million of which will be funded through debt issues in 2012 and an additional \$16 million in 2015. The balance of the CIP is funded by various sources, including connection fees, rate revenues, grants receipts, and contributions from Vista Irrigation District (VID). Existing and anticipated debt service results in annual payments in the range of \$3.3 to \$5.8 million. To ensure that the City will meet the debt coverage requirements and have adequate revenues to fund operating and capital expenses, RFC recommends the following rate adjustments.

Annual Revenue Increases

Effective Date	Increases
February 1, 2011	9 percent
January 1, 2012	9 percent
January 1, 2013	9 percent
January 1, 2014	8 percent
January 1, 2015	8 percent

Figure 1-2 shows the revenue increases needed and the debt coverage under the proposed financing plan and Figure 1-3 shows the CIP and the debt funding.

Figure 1-2 Annual Revenue Adjustments and Debt Coverage

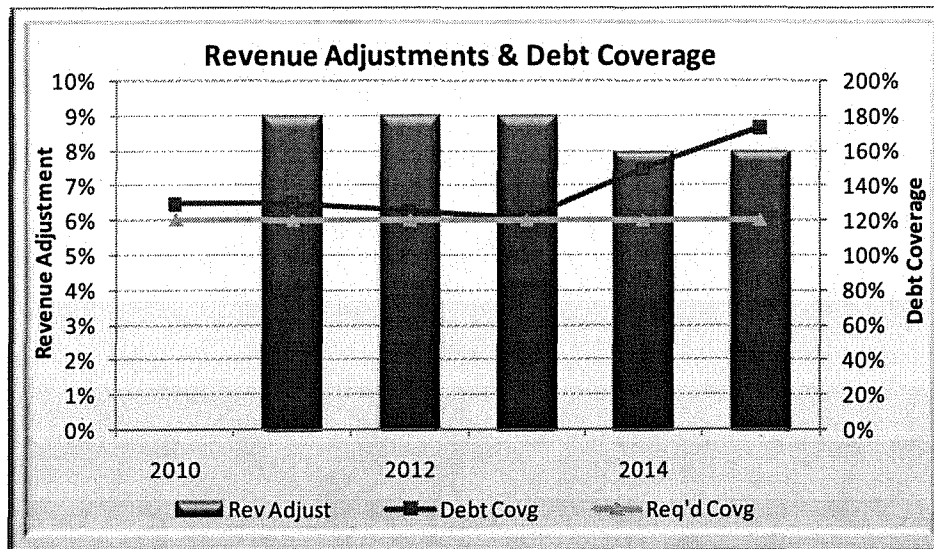
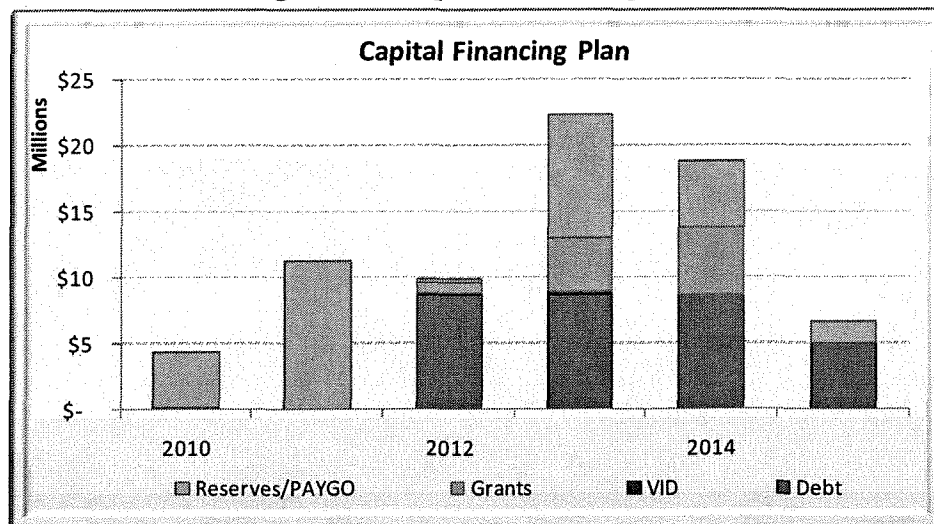


Figure 1-3 Capital Financing Plan



Proposed Water Rates

To calculate fair and equitable rates so that users pay in proportion to the cost of providing service, RFC performed a cost allocation of the total revenue requirements consistent with industry standards. Additionally, we reviewed the current rate structure and have retained the current 3 tiers for residential customers. However, RFC is proposing the following changes:

1. To encourage conservation, reduce the second tier from 20 thousand gallons (kgal) to 15 kgal per month, which represents the average usage for single family residential customers in the City.
2. Provide the same first tier, 7 kgal per month, to residential/agricultural customers providing the essential usage at the lowest cost.
3. To ensure that multi-family customers are provided an adequate amount of water for their essential needs, RFC is proposing to increase their first tier from 3.5 to 5 kgal per month and second tier from 5 to 7 kgal per month.
4. Since irrigation customers and the Wild Animal Park are large customers, eliminate the tiered commodity structure and provide them water at a uniform rate. Irrigation and landscape customers can be combined into one class.
5. Eliminate the Well Water category since there are no customers in that class.
6. Based on input from the stakeholders, agricultural users would receive 60% of their water from local sources, if available, so that their rates would be reasonable to allow them to stay in business.

The proposed water rate structure will provide greater incentives for conservation. However, it targets large customers who may be using water efficiently. The stakeholders expressed a strong interest to review water budget based rates wherein each customer is provided a water budget which considers indoor water use based on number of people per household and outdoor water use based on landscape area, type of plants and weather. RFC explored this type of rate structure for the City but could not complete the analysis because adequate data was not available. The City should continue to collect the required landscape data for residential and agricultural customers to determine the feasibility of implementing a water budget rate structure.

Table 1-1 shows the proposed rates for the inclining tiered water rate structure for FY 2011 through 2015.

Table 1-1
Proposed Monthly Water Rates

WATER RATES		February 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
Water Availability Charge						
5/8" and 3/4"		\$ 19.63	\$ 21.40	\$ 23.33	\$ 25.20	\$ 27.22
1"		\$ 30.84	\$ 33.62	\$ 36.65	\$ 39.59	\$ 42.76
1 1/2"		\$ 58.87	\$ 64.17	\$ 69.95	\$ 75.55	\$ 81.60
2"		\$ 92.51	\$ 100.84	\$ 109.92	\$ 118.72	\$ 128.22
3"		\$ 199.03	\$ 216.95	\$ 236.48	\$ 255.40	\$ 275.84
4"		\$ 356.00	\$ 388.04	\$ 422.97	\$ 456.81	\$ 493.36
6"		\$ 787.67	\$ 858.57	\$ 935.85	\$ 1,010.72	\$ 1,091.58
8"		\$ 1,348.29	\$ 1,469.64	\$ 1,601.91	\$ 1,730.07	\$ 1,868.48
3/4" x 3"		\$ 278.63	\$ 303.71	\$ 331.05	\$ 357.54	\$ 386.15
1" x 4"		\$ 423.27	\$ 461.37	\$ 502.90	\$ 543.14	\$ 586.60
1 1/2" x 6"		\$ 843.82	\$ 919.77	\$ 1,002.55	\$ 1,082.76	\$ 1,169.39
3/4" x 3" x 6"		\$ 843.82	\$ 919.77	\$ 1,002.55	\$ 1,082.76	\$ 1,169.39
1" x 4" x 8"		\$ 1,348.37	\$ 1,469.73	\$ 1,602.01	\$ 1,730.18	\$ 1,868.60
2" x 6"		\$ 843.82	\$ 919.77	\$ 1,002.55	\$ 1,082.76	\$ 1,169.39
2" x 8"		\$ 1,348.37	\$ 1,469.73	\$ 1,602.01	\$ 1,730.18	\$ 1,868.60
Detector Check		\$ 33.39	\$ 36.40	\$ 39.68	\$ 42.86	\$ 46.29
Single Family Residential						
Tier 1	0 to 7	\$ 3.48	\$ 3.79	\$ 4.14	\$ 4.48	\$ 4.84
Tier 2	7 to 15	\$ 4.23	\$ 4.62	\$ 5.04	\$ 5.45	\$ 5.89
Tier 3	15 +	\$ 5.37	\$ 5.86	\$ 6.39	\$ 6.91	\$ 7.47
Residential/Agricultural Use						
Tier 1	0 to 7	\$ 3.48	\$ 3.79	\$ 4.14	\$ 4.48	\$ 4.84
Tier 2	7 +	\$ 4.39	\$ 4.79	\$ 5.23	\$ 5.65	\$ 6.11
Multi-Family Residential						
Tier 1	0 to 5	\$ 3.48	\$ 3.79	\$ 4.14	\$ 4.48	\$ 4.84
Tier 2	5 to 7	\$ 4.23	\$ 4.62	\$ 5.04	\$ 5.45	\$ 5.89
Tier 3	7 +	\$ 5.37	\$ 5.86	\$ 6.39	\$ 6.91	\$ 7.47
Commercial, Industrial & School						
All water used		\$ 4.18	\$ 4.56	\$ 4.98	\$ 5.38	\$ 5.82
Irrigation - Institutional						
All water used		\$ 4.51	\$ 4.92	\$ 5.37	\$ 5.80	\$ 6.27
Landscape Districts						
All water used		\$ 4.51	\$ 4.92	\$ 5.37	\$ 5.80	\$ 6.27
Wild Animal Park						
All water used		\$ 4.18	\$ 4.56	\$ 4.98	\$ 5.38	\$ 5.82
Special Unfiltered						
All water used		\$ 2.48	\$ 2.71	\$ 2.96	\$ 3.20	\$ 3.46
Agricultural Use						
All water used		\$ 3.06	\$ 3.34	\$ 3.65	\$ 3.95	\$ 4.27
SAWR Use						
All water used		\$ 3.37	\$ 3.68	\$ 4.02	\$ 4.35	\$ 4.70

Customer Impacts

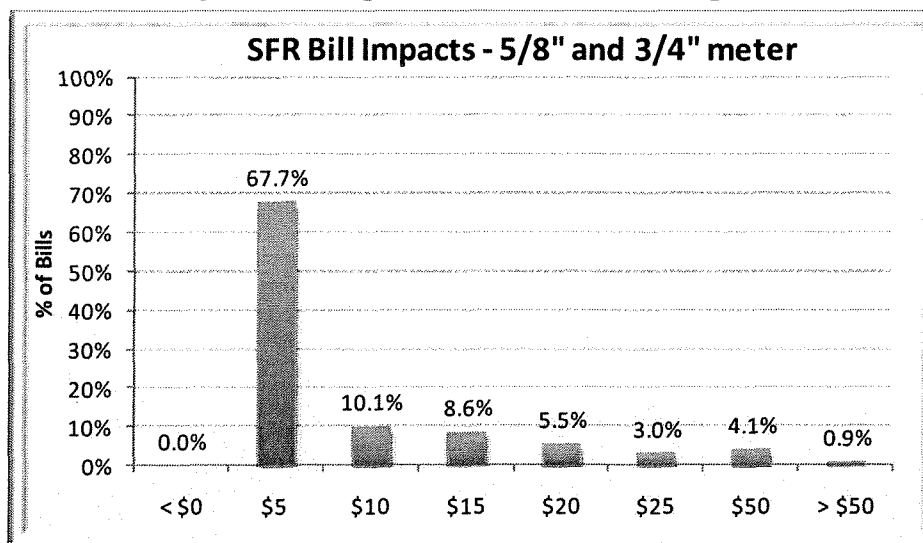
Table 1-2 below shows the impacts of an average single-family residential (SFR) customer with a 5/8" or 3/4" meter using an average 15 kgal of water per month.

Table 1-2
SFR Customer Impacts

	Existing Bill	2011	2012	2013	2014	2015
Meter Charge	\$ 18.06	\$ 19.63	\$ 21.40	\$ 23.33	\$ 25.20	\$ 27.22
Commodity Charge	\$ 55.45	\$ 58.17	\$ 63.49	\$ 69.30	\$ 74.96	\$ 81.00
Subtotal	\$ 73.51	\$ 77.80	\$ 84.89	\$ 92.63	\$ 100.16	\$ 108.22
MWD and CWA Charge	\$ 4.37	\$ 4.80	to be determined			
TOTAL BILL	\$ 77.88	\$ 82.60	\$ 84.89	\$ 92.63	\$ 100.16	\$ 108.22
% Increase		6%	3%	9%	8%	8%

Based on the water usage in 2009, the monthly impacts on SFR customers are shown in **Figure 1-4** below. The figure shows that over 70 percent of the customers will see an impact of less than \$5 per month from the water rate increase in 2011.

Figure 1-4 Single Family Residential Impacts



Water Budget Rate Structure

As part of this study, RFC evaluated the feasibility of implementing a water budget rate structure for the City. A water budget rate structure is designed to meet each customer's individual needs so that each customer is incentivized to use water efficiently. Water budgets are typically designed for residential and irrigation accounts. Commercial and industrial accounts are not ideally suited for water budgets based on the same

methodology; typically these customers retain the uniform rate structure or their water budgets are based on historical water use.

Water budget rate structures are based on indoor and outdoor budgets. While the indoor budget can be readily estimated by using typical residential densities, the determination of outdoor budgets requires landscape areas for each account. The City does not have the complete data at this time to implement the water budget rate structure. RFC did perform an analysis based on the data available. A description of water budgets, how they are determined for customers, and our preliminary analysis of impacts based on available data is included in Appendix B.

To implement water budget rates it is recommended that:

1. The City compile landscape data for residential and irrigation properties so that the water budgets can be determined. Landscape data may be estimated by using total parcel area, or total parcel area less building footprint or by determining the actual landscape area for each account.
2. Once the data is available, the City reevaluate and finalize the policy options associated with defining water budgets and the resultant impacts on customers. This would also include updating the wastewater rate structure to a budget based rate structure.
3. The City update the billing system to handle water budget rate structures. The billing system should be capable of storing the data needed to bill customers and to calculate the water budgets based on available weather factors.

WASTEWATER UTILITY

System Background

The City's Wastewater Division is responsible for the collection, treatment, and disposal of wastewater from its customers. Wastewater is treated at the wastewater treatment and disposal facility at the Hale Avenue Resource Recovery Facility (HARRF) to secondary standards before being discharged to the Pacific Ocean. In 2000, the City expanded the HARRF to include tertiary treatment processes to produce recycled water in an effort to reduce wastewater discharge to the ocean.

The current wastewater rate structure consists of a fixed monthly charge to residential customers. Commercial customers are charged a fixed monthly charge plus a volume charge based on 90% of the monthly water usage, subject to a minimum charge per month.

The majority of the City's wastewater accounts are residential customers (SFR and MFR), followed by commercial customers, schools and churches. In addition, the City has 12 recycled water meters. The wastewater accounts, including recycled water accounts, are projected to grow at one percent per year from FY 2011 to 2013 and two percent per year in FY 2014 and 2015.

Revenue Requirements

In order to determine water rates, RFC projected the revenue requirements, including operations and maintenance (O&M), capital improvement expenses, debt service costs, reserves requirements, etc., for the

study period from FY 2011 to 2015. O&M expenses include the cost of operating and maintaining wastewater collection, treatment, and disposal facilities, as well as the costs of providing technical services such as laboratory services and other administrative costs of the wastewater system such as customer service and billing. The O&M projections are based on the City's FY 2011 budget and an inflationary factor of 3 percent in projecting all O&M expenditures, except salaries and benefits, which are increasing at 1 percent and 5 percent, respectively. Projected O&M expenditures for the study period are detailed in **Table 1-3**.

Table 1-3
Wastewater Operations & Maintenance Expenses

Line No.		Budgeted FY 2010	Projected FY 2011	Projected FY 2012	Projected FY 2013	Projected FY 2014	Projected FY 2015
WASTEWATER OPERATIONS							
1	Employee Services	\$ 7,063,950	\$ 7,107,525	\$ 7,270,194	\$ 7,439,069	\$ 7,614,442	\$ 7,796,618
2	Maintenance & Operations	\$ 5,549,860	\$ 5,572,990	\$ 5,746,772	\$ 5,926,033	\$ 6,118,082	\$ 6,316,614
3	Capital	\$ 72,500	\$ 75,500	\$ 77,765	\$ 80,098	\$ 82,501	\$ 84,976
4	Internal Service Charges	\$ 1,100,790	\$ 934,125	\$ 962,149	\$ 991,013	\$ 1,020,744	\$ 1,051,366
5	Allocations	\$ 1,326,450	\$ 1,227,625	\$ 1,264,454	\$ 1,302,387	\$ 1,341,459	\$ 1,381,703
6	Subtotal Wastewater Operations	\$ 15,113,550	\$ 14,917,765	\$ 15,321,333	\$ 15,738,601	\$ 16,177,227	\$ 16,631,277
RECYCLED WATER OPERATIONS							
7	Employee Services	\$ 86,155	\$ 86,775	\$ 88,685	\$ 90,666	\$ 92,722	\$ 94,855
8	Maintenance & Operations	\$ 1,299,500	\$ 1,049,500	\$ 1,127,335	\$ 1,210,301	\$ 1,298,303	\$ 1,391,161
9	Internal Service Charges	\$ 10,710	\$ 11,120	\$ 11,454	\$ 11,797	\$ 12,151	\$ 12,516
10	Allocations	\$ 509,535	\$ 448,905	\$ 462,372	\$ 476,243	\$ 490,531	\$ 505,247
11	Subtotal Recycled Water Operations	\$ 1,905,900	\$ 1,596,300	\$ 1,689,846	\$ 1,789,008	\$ 1,893,706	\$ 2,003,778
STORMWATER MANAGEMENT OPERATIONS							
12	Employee Services	\$ 200,390	\$ 196,845	\$ 201,449	\$ 206,231	\$ 211,200	\$ 216,363
13	Maintenance & Operations	\$ 1,192,350	\$ 1,193,000	\$ 1,226,730	\$ 1,263,532	\$ 1,301,438	\$ 1,340,481
14	Capital	\$ 100,000	\$ 100,000	\$ 103,000	\$ 106,090	\$ 109,273	\$ 112,551
15	Internal Service Charges	\$ 18,615	\$ 26,615	\$ 27,413	\$ 28,236	\$ 29,083	\$ 29,955
16	Allocations	\$ 595,615	\$ 615,425	\$ 633,888	\$ 652,904	\$ 672,492	\$ 692,666
17	Subtotal Stormwater Management Operations	\$ 2,106,970	\$ 2,131,885	\$ 2,192,480	\$ 2,256,993	\$ 2,323,485	\$ 2,392,016
18	TOTAL O&M EXPENSES	\$ 19,126,420	\$ 18,645,950	\$ 19,203,659	\$ 19,784,602	\$ 20,394,418	\$ 21,027,071

Capital expenditures are based on the City's Capital Improvement Program (CIP) and are funded by various sources, including development fees, rate revenues, grants receipts, bonds proceeds, etc. Due to the size of the CIP, the City is projected to issue more debt in the future to fund the capital projects. The total CIP expenditures over the 5-year period is \$137 million, approximately \$75 million will be funded through debt. Existing and anticipated debt service results in annual payments in the range of \$5.2 to \$11.7 million. **Table 1-4** shows the annual revenue requirements from rates over the 5-year period.

Table 1-4
Annual Revenue Requirements from Rates

Line No.		Projected	Projected	Projected	Projected	Projected
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1	Wastewater Operations O&M Expenses	\$ 14,917,765	\$ 15,321,333	\$ 15,738,601	\$ 16,177,227	\$ 16,631,277
2	Stormwater Management O&M Expenses	\$ 2,131,885	\$ 2,192,480	\$ 2,256,993	\$ 2,323,485	\$ 2,392,016
3	Existing Debt Service	\$ 3,496,441	\$ 3,495,424	\$ 3,493,575	\$ 3,494,435	\$ 3,495,651
4	Proposed Debt Service	\$ -	\$ 1,887,780	\$ 3,775,560	\$ 3,775,560	\$ 6,531,718
5	Capital Projects PAYGO	\$ 4,000,000	\$ 4,120,000	\$ 4,243,600	\$ 4,370,908	\$ 4,502,035
6	Transfers to/(from) Rate Stabilization Fund	\$ 1,000,000	\$ 750,000	\$ 750,000	\$ 500,000	\$ 500,000
7	TOTAL EXPENSES	\$ 25,546,091	\$ 27,767,017	\$ 30,258,328	\$ 30,641,614	\$ 34,052,697

Proposed Revenue Adjustments

In order to meet projected revenue requirements and to maintain desired reserves fund balances, the following revenue adjustments are proposed to meet long term rate stability.

Annual Revenue Increases

<u>Effective Date</u>	<u>Increases</u>
February 1, 2011	None
January 1, 2012	None
January 1, 2013	6 percent
January 1, 2014	6 percent
January 1, 2015	6 percent

Proposed Wastewater Rates

Discussion with City staff and stakeholders revealed that Laundromats are classified under the Commercial Laundry category. RFC proposes that the City creates a new commercial category for Laundromat, which has lower wastewater strengths than the Commercial Laundry category. In addition, RFC proposes that the City implement a flow-based rate structure to incentivize conservation and be more equitable by charging users in proportion to the amount of wastewater discharged.

RFC reviewed the winter water usage from December through March for SFR, MFR and Mobile Home (MH) customers. Winter water usage is typically used as a proxy for wastewater generation because there is not much irrigation during the winter. However, winters in California still require some irrigation usage. Thus, RFC proposes a return factor of 80 percent of winter water usage for SFR and MFR customers. MH customers typically do not have irrigation needs; thus their return factor is 100% of winter water usage. Additionally, RFC proposes a cap of 10,000 gallons and 8,000 gallons per unit per month on wastewater generation for SFR and MFR/MH customers, respectively. This means that the maximum amount of wastewater an SFR customer can generate a month is 10,000 gallons.

Table 1-5 shows the proposed wastewater rates for FY 2011. Wastewater rates remain the same for FY 2012 and increase by 6 percent each year in January 2013, 2014, and 2015.

Since the City is planning significant capital expenditures over the next five years, it is appropriate to review the cost allocations periodically and rates to ensure that the rates are consistent with cost of service.

Table 1-5
Proposed FY 2011 Wastewater Rates

Customer Class	Unit	Fixed \$/mo	Other \$/unit	Flow \$/kgal	BOD \$/lb	TSS \$/lb
Single Family Residential	/unit/mo	\$ 16.37		\$ 3.15		
Multi-Family Dwelling	/unit/mo	\$ 16.37		\$ 2.62		
Mobile Homes	/unit/mo	\$ 16.37		\$ 1.80		
Senior High Schools	/student/yr		\$ 23.41			
Elementary and Middle Schools	/student/yr		\$ 15.61			
Churches	/100 sts/mo		\$ 32.52			
Car Wash/Soft Water Service	/acct/mo	\$ 16.37		\$ 5.10		
Hotel/Motel without dining	/acct/mo	\$ 16.37		\$ 5.82		
Hotel/Motel with dining	/acct/mo	\$ 16.37		\$ 8.43		
Repair Shop/Service Station	/acct/mo	\$ 16.37		\$ 5.36		
Commercial Laundry	/acct/mo	\$ 16.37		\$ 6.04		
Laundromats	/acct/mo	\$ 16.37		\$ 5.31		
Hospital	/acct/mo	\$ 16.37		\$ 5.69		
Brewery	/acct/mo	\$ 16.37		\$ 4.71	\$ 0.35	\$ 0.35
Grocery Store with Meat Dept	/acct/mo	\$ 16.37		\$ 9.17		
Industrial	/acct/mo	\$ 16.37		\$ 7.62		
Restaurant	/acct/mo	\$ 16.37		\$ 9.03		
All Other Commercial	/acct/mo	\$ 16.37		\$ 5.98		
Discharges to Brine Line	/acct/mo	\$ 16.37		\$ 0.73		

Customer Impacts

Table 1-6 below shows the impacts of an average SFR customer generating 6.5 kgal of wastewater per month, an average MFR customer generating 4.7 kgal of wastewater per month, and an average MH customer generating 3.6 kgal of wastewater per month.

Table 1-6
Residential Customer Impacts

	Existing Bill	Proposed Bill	Difference	Fixed	Flow*	Winter Usage
Single Family Residential	\$ 43.09	\$ 36.85	-14.5%	\$ 16.37	\$ 3.15	6.50
Multi-Family Dwelling	\$ 27.24	\$ 28.68	5.3%	\$ 16.37	\$ 2.62	4.70
Mobile Homes	\$ 27.24	\$ 22.85	-16.1%	\$ 16.37	\$ 1.80	3.60

* Charge per kgal of water discharged

Table 1-7 shows the impacts to non-residential customers.

Table 1-7
Non-Residential Customer Impacts

Customer Class	Existing Rate		Proposed Rate		Difference	
	Fixed	Flow	Fixed	Flow	Fixed	Flow
Senior High Schools	\$ 16.60		\$ 23.41		41.0%	
Elementary and Middle Scho	\$ 12.87		\$ 15.61		21.3%	
Churches	\$ 15.46		\$ 32.52		110.3%	
Car Wash/Soft Water Service	\$ 16.37	\$ 4.12	\$ 16.37	\$ 5.10	0.0%	23.8%
Hotel/Motel without dining	\$ 16.37	\$ 5.11	\$ 16.37	\$ 5.82	0.0%	13.9%
Hotel/Motel with dining	\$ 16.37	\$ 7.40	\$ 16.37	\$ 8.43	0.0%	13.9%
Repair Shop/Service Station	\$ 16.37	\$ 5.15	\$ 16.37	\$ 5.36	0.0%	4.1%
Commercial Laundry	\$ 16.37	\$ 6.04	\$ 16.37	\$ 6.04	0.0%	0.0%
Laundromats	\$ 16.37		\$ 16.37	\$ 5.31	0.0%	
Hospital	\$ 16.37	\$ 4.82	\$ 16.37	\$ 5.69	0.0%	18.0%
Grocery Store with Meat Dep	\$ 16.37	\$ 9.20	\$ 16.37	\$ 9.17	0.0%	-0.3%
Industrial	\$ 16.37	\$ 3.49	\$ 16.37	\$ 7.62	0.0%	118.3%
Restaurant	\$ 16.37	\$ 7.79	\$ 16.37	\$ 9.03	0.0%	15.9%
All Other Commercial	\$ 16.37	\$ 3.49	\$ 16.37	\$ 5.98	0.0%	71.3%
Discharges to Brine Line		\$ 1.61		\$ 0.73		-54.7%

Proposed Recycled Water Rates

The recycled water monthly service charge, or availability charge, remains the same as for potable water. The commodity rate remains at 90 percent of the lowest residential potable water rate, which is consistent with current City policy. The proposed recycled water rates are shown in **Table 1-8**.

Table 1-8
Proposed Recycled Water Rates

	February 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
Recycled Water Rate (\$/kgal)	\$3.13	\$3.41	\$3.73	\$4.03	\$4.36

9 Dione
Irvine, CA 92603-3620
Tel (949) 854-3997
Fax (949) 854-0080

EL NORTE PARTNERS, LLC

Fax

Correspondence
Received

To: City of Escondido

From: Harry Kitagawa

Office of the City Clerk

Fax: 760-735-5782

Pages: 1

Phone:

Date: January 5, 2011

Re: Protest Water and Waste Water

CC:

Increase

I am the owner and property manager of a property at 190, 200, 220 W. El Norte Parkway in Escondido. Due to the bad economy and the high unemployment rate in San Diego County, especially in the city of Escondido, my tenants are having difficulty operating their businesses. All my tenants are struggling financially to operate their businesses and any increase in the water rate and waste water rate will affect their survival in operating their businesses. This is not an appropriate time to increase any utility rates.

I strongly protest any water rate and waste water rate increase.


Harry Kitagawa

El Norte Partners, LLC

190, 200, 220 W. El Norte Parkway, Escondido 92026

RECEIVED

JAN 05 2011

CITY OF ESCONDIDO
CITY CLERK

December 20, 2010
14912 Budwin Lane
Poway, CA. 92064

City of Escondido
Office of the City clerk
201 North Broadway
Escondido, CA 92025

RECEIVED

JAN 04 2011

CITY OF ESCONDIDO
CITY CLERK

To the Escondido City Council;

Our family has owned Commercial and Residential property in the city of Escondido for 30 plus years, specifically 620-626 North Broadway, 629-635 East Valley Parkway, 509-515 Aster Street and 525-531 Aster Street, and we have witnessed the continued rise of water rates year after year, which has always been higher than the inflationary index.

We are not only tired of the inept leadership for the City of Escondido, we are angry. You have continued to raise the rates for water as well as all other costs, with no regard to property owners or the condition of the economy. The City Council needs to recognize that it needs to bring down City labor costs.

You're leadership is the reason for inflation during a recession.

Stop passing on ridiculous increases in water costs and take some responsibility for the real issue:

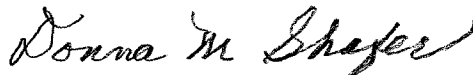
Your City expenses are too high; your pension plans for City employees are too high.

CONTROL CITY COSTS!!!!

**STOP PUTTING CITY EMPLOYEES FIRST
AND PUT PROPERTY OWNERS FIRST!!!!**

Sincerely,

Donna M. Shafer



David B. Shafer
(858) 748-3515



DATE: December 27, 2010
TO: The city of Escondido / Office of the city clerk
FROM: Amir Salem / El Norte Parkway LLC
APN#: 226-210-40 and 226-210-41
SUBJECT: Protesting any water and waste water rate increase

Due to the bad economy and the high unemployment in the San Diego County specifically in the city of Escondido where the unemployment rate is one of the highest in the county. Also, all the tenants in my commercial shopping center are struggling to stay in business. Any increase in their water rate and waste water rate will affect the survival in business of my tenants. I don't think this is the time to raise any water rates.

I, hereby protest any water rate increase.



Amir Salem

1314 Vista Grande Rd.

El Cajon, CA 92019

Ph: (619) 203-7278 fax: (619) 312-1912

RECEIVED

DEC 28 2010

CITY OF ESCONDIDO
CITY CLERK

12/15/10

To Whom It May Concern

My wife & I protest these rate increases primarily because of the ridiculous salaries, benefits & pensions awarded to Water District employees & management. We are retired, worked hard for our meager 401Ks, and do not like funding these public employee salaries & benefits. Also the sewer smells we experience routinely is unfating!!

Larry Trautner
Carol Trautner

Residential Customer
2319 Cortina Circle
Escondido, CA

RECEIVED

DEC 20 2010

CITY OF ESCONDIDO
CITY CLERK

December 8, 2010

PROPOSED WATER RATE INCREASES

TO: City of Escondido
201 N. Broadway
Escondido, Ca. 92025

From: Kirk Lentz
1410 E. El Norte Parkway
Escondido, Ca. 92027

Re: "Notice of public hearing on proposed
change in water and waste water
rates and fees"

This letter is a response to a mailing I received on November 28th about a proposed water rate increase for five years.

"NO" TO ANY RATE INCREASE!!!

First: Reduce labor costs to offset any proposed increase to the consumer. Although this propaganda is being proposed as an '*investment*', it needs to be noted that the underlying increase is a result of runaway pension costs and exorbitant pay packages for everyone who is employed in the water district!

Second: Let outside contractors bid on these '*investment*' costs. The total cost would be reduced by at least a third and would be completed on time. This is just a PLOY to insure that the water company maintains future employment! **AT TAXPAYER EXPENSE!**

Third: The citizens of Escondido are held **HOSTAGE** by the monopolistic Escondido water district. Enough is enough! No more rate increases until there are reductions from within the water district itself!

Forth: Why is there always just one "offer" of a solution? Which is always in the form of rate increases? List all of the reductions that could take place and offer other solutions and alternatives so that there are options to draw from! **NO TO ANY RATE INCREASE!**

RECEIVED

DEC 15 2010

CITY OF ESCONDIDO
CITY CLERK

This is a one sided approach to rape the hard working citizens by out dated and self serving unions that control not only our water supply-but the city council as well!

Please confirm receipt of this letter and insure I am on the agenda to speak on this topic when the council opens for discussion.

Submitted,

A handwritten signature in black ink, appearing to be 'Kirk Lentz', written over the printed name.

Kirk Lentz

December 8, 2010

PROPOSED WATER RATE INCREASES

TO: City of Escondido
201 N. Broadway
Escondido, Ca. 92025

From: Kirk Lentz
1410 E. El Norte Parkway
Escondido, Ca. 92027

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Kirk Lentz

December 8, 2010

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201 N. Broadway
Escondido, Ca. 92025

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Escondido, Ca. 92027

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RECEIVED

DEC 14 2010

CITY OF ESCONDIDO
CITY CLERK

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Please confirm receipt of this letter and insure I am on the agenda to speak on this topic when the council opens for discussion.

Submitted,


A handwritten signature in black ink, appearing to be 'Kirk Lentz', written in a cursive style.

Kirk Lentz

To City Clerk

This is a letter protesting the rate increases and changes, and the adoption of the fixed cost pass-through to water and wastewater rates. We are against it and any rates increase at this time. We have saved lots of water as individuals and as a city and a rate increase is ridiculous. Especially at a time when the city is trying to put a ballpark in town.

Scot Antrim
980 Cedar way
Escondido Ca.



RECEIVED

DEC 09 2010

CITY OF ESCONDIDO
CITY CLERK

12/7/10

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

City Clerk,

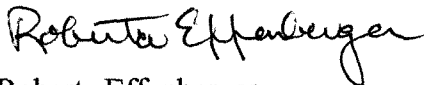
I would like to protest the proposed rate increase on water and wastewater. I believe that rather than raise rates, you should cut costs. The fees we residents pay should go towards the cost of water and replacement of pipes and facilities, not towards out of control salaries and benefit packages.

If you had been spending the money you've been getting on what it's supposed to be spent on, you would not need to raise rates again. But instead, we residents feel that continual increases are funding salaries and absurd benefits and not the actual cost of supplying water.

It's not right that the more residents reduce usage, the higher the rates continue to go. You need to make cuts and live with the money you're getting. As usage continues to decline, as I'm sure it will because you keep increasing the cost, you can't keep raising rates.

Residents are tired of bearing the brunt of poor cash management and ridiculously high employee benefit packages-cut the overhead and stop raising rates.

Thank you,



Roberta Effenberger
2347 Mountain View Drive
Escondido, CA 92027

RECEIVED
DEC 09 2010
CITY OF ESCONDIDO
CITY CLERK

Diane Halverson - Re: Fwd: Changes in Water and Wastewater Rates & Fees

From: Marsha Whalen
To: Lori Vereker
Date: 12/8/2010 9:51 AM
Subject: Re: Fwd: Changes in Water and Wastewater Rates & Fees
CC: Diane Halverson

Okay, we'll include it with the other comments we have collected here.

>>> Lori Vereker 12/8/2010 9:28 AM >>>

Hi Marsha,

This should be included in the public comments for the water and wastewater rate hearing on January 12.

Lori

>>> "Tom Beard" <beard9091@sbcglobal.net> 12/3/2010 7:36 AM >>>

You both may recall that about 6 months ago I wrote you expressing my thoughts about the City of Escondido's lack of fairness in determining residential wastewater charges for low water users. I was told at that time that a study was underway to investigate this and other water cost issues. Last week I received a Notice of Public Hearing of Changes in Water and Wastewater Rates and Fees that addresses my complaint. This email is to advise you that I wholeheartedly support the recommended changes in the way the wastewater charges are to be calculated - a much fairer system.

I'm sure that no one will appreciate the proposed increase of about 6 per cent per year in their total water bill. However, about one-half of these charges can be attributed to increases in the costs of acquiring water from outside sources and are simply pass-through charges. The other one-half or 3 percent, while somewhat above projected inflation, does not seem excessive in light of an aging system and new governmental regulations. Overall, I think the city has done an outstanding job in developing a new fee and rate structure. Thank you. Thomas Beard

RICHARD H. & ELEANOR MORENO
214 BAHIA LN.
ESCONDIDO CA 92026

PARCELT 2276601500

MY WIFE AND I ARE PROTESTING
THE RATE INCREASES OR PASS THEIR
FIXED COST'S FROM THIS CITY AND
THE WATER WHOLESALE'S.

YOU CALL IT A RATE INCREASES
BUT IT'S REALLY ANOTHER TAX. THE
WAY THE WATER WHOLESALE'S, PUT IT
IS THAT THE RAIN TOTAL HAS INCREASE
THIS YEAR.

WHY SPENT 50, MILLION DOLLARS ON
ANOTHER WHITE ELEPHANT, LIKE THE BALL
PART, USE THE MONEY TO FIX OUR
POTHOLES AND GENERAL WATER STRUCK-
-SING

RECEIVED

DEC 07 2010

CITY OF ESCONDIDO
CITY CLERK

TAX PAYER NOT
Happy

Richard H Moreno
Eleanor Moreno

To: City of Escondido

Re: Proposed Change in Water and
Waste water rates and fees.

As a retired Senior Citizen on a fixed income, I have to definitely object and oppose the proposed rate increases for the next five years beginning in 2011.

Signed: Mrs. Freda Robinson (Widow)
1440 Broadway Place
Escondido, CA 9205

RECEIVED

DEC 07 2010

CITY OF ESCONDIDO
CITY CLERK

To: City of Escondido

Re: Water and Wastewater Rates

I am ^aretired and disabled school employee
and I must oppose the proposed rate
increases starting 2011 for five years.

Signed:

Date: 12-6-2010

(760) 743-2568

Shirley M. Luce
1432 Broadway Place
Escondido, CA 92025

RECEIVED
DEC 07 2010
CITY OF ESCONDIDO
CITY CLERK

TO WHOM IT MAY CONCERN;

THIS IS MY WRITTEN PROTEST TO THE
RATE INCREASES FOR BOTH WATER
AND WASTEWATER RATES.

BAD TIMING, TO MANY OUT OF
WORK, AND AS FOR US ON A
FIXED INCOME. WITH NO COST
OF LIVING ADJUSTMENTS FOR
THE PAST TWO YEARS. WITH THE
OUTLOOK FOR ANY IN THE
FUTURE, LOOKING SHIM TO NONE.
EVEN WORSE TIMING.

THERE ARE OTHER THING'S THE
CITY CAN DO.

BUT IT WONT. THE CITY WILL
RAISE THE RATES AND DO EVERY-
THING AS OUTLINED IN THE DOCUMENT
WE GOT IN THE MAIL ON 11-24-10.

RESPECTFULLY
Jamy E. Peterson

ADDRESS

1934 KINGSTON, DR
ESCONDIDO, CALIF.
92027

PARCEL #

231-271-19-00

RECEIVED

NOV 30 2010
CITY OF ESCONDIDO
CITY CLERK

RECEIVED

NOV 29 2010

CITY OF ESCONDIDO
CITY CLERK

11-26-10

CITY OF ESCONDIDO
OFFICE OF THE CITY CLERK
201 N BROADWAY
ESCONDIDO CA 92025

RE: WATER & WASTEWATER RATE
INCREASES.

DEAR SIRS:

I HAVE NOTED THE RECEIPT
OF THE PROPOSED INCREASES
TO THE VARIOUS WATER AND
WASTEWATER CHARGES FOR
THE COMING 5 YEARS.

I DO SEE THE NEED FOR
THESE INCREASES. HOWEVER,
I AM 87 YEARS OLD, LIVE ON A
FIXED INCOME, AMON SOCIAL
SECURITY. JUST HOW DO YOU
PROPOSE I CAN ACCEPT THESE
-OVER-

(2)

INCREASES? WILL THERE
BE REDUCTIONS FOR THE
ELDERLY OR ANY OTHER
BREAKS FOR US? WHAT
HAPPENS IF SOME OF US
ARE UNABLE TO PAY SUCH
INCREASES?

OUR HOUSEHOLD TRIES TO KEEP
WATER USAGE DOWN. I DO NOT
HAVE LAWN AS I DO NOT WISH
TO WASTE WATER AS REGARDS
OUT DOOR USE. WE HAVE ILLNESS
IN OUR HOUSEHOLD AND THIS
ALONE IS VERY SERIOUS, IN
OUR HOUSEHOLD.

I DO HOPE THAT THIS SITUATION
WILL BE ADDRESSED IN FUTURE
NOTICES.

NOTH TAFEEJIAN

Jonathan & Athene Bitting
1450 E Lincoln Ave
Escondido, CA 92027

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

November 27, 2010

RECEIVED

NOV 29 2010

CITY OF ESCONDIDO
CITY CLERK

Dear Office of the City Clerk,

We are protesting both the water and wastewater rate changes proposed in your notification.

The economic season is not right for raising prices. Most folks are already too oppressed, making a living wage and meeting their expenses.



Also, the criteria by which you are raising prices and the percentage of the rate hikes are alarming. Some increases seem to be based on speculation, some on missing information.

To wit:

- | |
|---|
| 1. The <u>Meter Charge</u> should be based on
A. last year's costs of maintenance, averaged out to all meters
B. an averaged charge of annual repair costs should go on top of that
In your mailer, you didn't specify how the Meter Charges were justified. Plus, the increase is too dramatic with each year. Are you expecting everyone to get a raise and keep their jobs? That would be nice, but this is based on _____????? |
| 2. Have the <u>Commodity</u> water import suppliers already set prices so far in advance? I heard on the Channel 10 news that our water usage had gone down so much that the prices of H2O were going up due to lack of volume. Can we all be winners in this situation?
The rate hikes should not be so firmly set in advance. These should be logically set according to annual prices, not some projection of what they might be. |
| 3. Why is the <u>MWD</u> charge increasing? Do we have some control over this? So close to the ocean, yet we are still draining water from Sacramento county? That's kinda silly. |
| 4. <u>Wastewater Charge</u> is forgetting the possibility of using gray water in our yards. This should take some stress off of the sewage volume. There might be a way to measure the sewage outflow rather than the household water inflow. |

Thank you for this opportunity to voice our opinions. We appreciate your great service and know that we will continue to be glad that we live in your fine city.

Sincerely,



Jonathan & Athene Bitting
1450 E Lincoln Ave.

December 1, 2010

City of Escondido
Office of the City Clerk
201 N. Broadway
Escondido, CA 92025

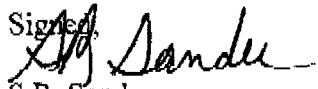
Re: Rate Increase

To Whom It May Concern:

I am writing to protest the rate change/increase to both the water and the wastewater rates.

My address is: 1109 N. Fig Street
Escondido, CA 92026

Signed,


S.R. Sander

RECEIVED

NOV 30 2010

CITY OF ESCONDIDO
CITY CLERK

RESOLUTION NO. 2011-03

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
ESTABLISHING NEW 2011 THROUGH 2015
WATER USE RATES, SERVICE CHARGES
AND CONNECTION FEES, AND
WASTEWATER SERVICE CHARGES

WHEREAS, the Escondido Municipal Code authorizes the City Council to set and adjust water and wastewater rates and service charges from time to time by duly adopted resolution; and

WHEREAS, the City Council previously directed staff to review and analyze the costs of providing services related to such fees on a regular basis; and

WHEREAS, staff contracted with Raftelis Financial Consultants, Inc. to do a thorough analysis of the cost of providing services related to such fees and conducted a review of the burdens, effects and costs of new development and the commensurate cost of offsetting such impacts, and has provided such analysis to the City Council in the staff reports in conjunction with this Resolution; and

WHEREAS, City staff has corresponded with representatives of the public, and the business and farming community, and the City Council has conducted a public hearing and has considered comments and input from interested parties; and

WHEREAS, the proposed fees were noticed to all water and wastewater customers in accordance with Proposition 218 45 days prior to the public hearing; and

WHEREAS, the City Council desires at this time and deems it to be in the best public interest to establish new rates and fee schedules for 2011 through 2015.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the rates and fees set forth in Exhibit "1," attached to this resolution and incorporated by this reference, will supersede all prior rates and fees for connections and services as set forth on the Exhibit.
3. That the rates and fees set forth in Exhibit "1" will be effective for all charges that become due on or after February 1, 2011.
4. That the Agriculture Use Rate factors in discounts from the Metropolitan Water District Interim Agriculture Water Program (IAWP), the San Diego County Water Authority Special Agriculture Water Rate (SAWR), and the City of Escondido Agriculture Discount.
5. That as the IAWP and/or the SAWR programs are phased out, customers may opt out of such programs on an annual basis at which time their rate will be modified. Customers choosing to opt out of both the IAWP and the SAWR, will revert either to the Residential Agriculture Rate or the Single Family Residential Rate. Customers choosing to opt out of only the IAWP program will still receive the SAWR and/or City of Escondido discounts as applied to the Tier 2 Single Family Residential Rate.
6. That agriculture customers have been notified and provided with all relevant materials regarding the restrictions on water use identified in the IAWP and the SAWR programs, including that the restrictions of such programs may be applied if they choose to continue participation in either the IAWP or the SAWR programs.
7. That the City of Escondido Agriculture Discount shall only apply to customers participating in either or both the IAWP and the SAWR.

Este aviso está disponible en español. Se puede encontrar en Utility Billing dentro de City Hall o por medio de Internet en www.escondido.org.

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

The City of Escondido (City) will conduct a public hearing on January 12, 2011 at 7:00 p.m. at 201 North Broadway, Escondido, California 92025 in the City Council Chambers to consider the adoption of changes in water and wastewater rates.

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 has determined that fairness adjustments are necessary, and rate increases will be required to avoid water shortages, operational deficits, depletion of financial reserves, and potential infrastructure failures. The proposed rate increases will occur over the next five years beginning in 2011.

Example of Bill Changes in Years 2011 - 2015 for a Single Family Residence (SFR)

The following table provides estimates for the water and wastewater bill changes over the next five years. They include the needed rate increases and fairness adjustments described below. The water bill estimates are based on a typical residential customer with a 5/8-in or 3/4-in meter and monthly usage of 15,000 gallons. The wastewater bill estimates are for a single family residence using an average of 7,000 gallons of water during the winter months of December through March.

Sample SFR Bill	Existing		Proposed Bill				
	Bill	2011	2012	2013	2014	2015	
Meter Charge	\$ 18.06	\$ 19.63	\$ 21.40	\$ 23.33	\$ 25.20	\$ 27.22	
Commodity Charge	\$ 55.45	\$ 58.17	\$ 63.49	\$ 69.30	\$ 74.96	\$ 81.00	
Subtotal	\$ 73.51	\$ 77.80	\$ 84.89	\$ 92.63	\$ 100.16	\$ 108.22	
MWD and CWA Charge	\$ 4.37	\$ 4.80	\$ 5.42	\$ 5.97	\$ 6.58	\$ 6.89	
SUBTOTAL WATER BILL	\$ 77.88	\$ 82.60	\$ 90.31	\$ 98.60	\$ 106.74	\$ 115.11	
Wastewater Charge	\$ 43.09	\$ 36.85	\$ 36.85	\$ 39.06	\$ 41.40	\$ 43.88	
TOTAL BILL	\$ 120.97	\$ 119.45	\$ 127.16	\$ 137.66	\$ 148.14	\$ 158.99	
% Increase		-1.3%	6.5%	8.3%	7.6%	7.3%	

MWD = Metropolitan Water Authority pass through
CWA = San Diego County Water Authority pass through

Commodity Charge = water use

Reasons for Proposed Rate Increases

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

- Coverage for rate increases on imported water from the San Diego County Water Authority
- Repair and replacement of aging water and wastewater pipes, facilities, and equipment
- Replacement of seismically compromised Wohlford Dam and possible increase in the storage capacity
- Connections to San Diego County Water Authority treated water facilities
- Upgrades to Hale Avenue Resource Recovery Facility and implementing increased use of recycled water
- Repair and maintenance of wastewater pumping (lift) stations
- Re-establishment of proper rate stabilization reserves

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.

Fairness Adjustments

The Rate Study showed that current water and wastewater rate structures need to be adjusted to more fairly allocate the cost of services to each customer. These adjustments will be made in the 2011 rates. Water tiers for single family customers will be tightened slightly, while the tiers for multi-family and mobile homes will be relaxed slightly. The water rates for all residential and commercial customers will increase; however, the increase amount depends on each customer's water usage. Wastewater rates for residential customers will be changed from a flat fee to a flow-based calculation using winter water usage. Again, this adjustment is necessary so rates better reflect the cost of services, and will cause some customers to pay more for wastewater, and some to pay less.

Wastewater rates for commercial customers will change depending on their classification. This adjustment does not cause an overall increase in revenue collected from rates.

Timing of Rate Changes

Both water and wastewater fairness adjustments will be made in 2011. Proposed water rate increases will begin in 2011 and continue through 2015. There are no proposed wastewater rate increases for the next two years, but there is a change from a flat rate to a flow based charge. However, major capital improvements will be needed at that point, causing wastewater rates to increase in 2013 through 2015.

Specific Water Rate Issues- Rates Controlled by Others

The water Rate Study has estimated the increases in purchased water costs, Metropolitan Water District of Southern California (MWD) Readiness to Serve Charges, and San Diego County Water Authority's Infrastructure Access Charge. Increases to these costs that are larger than estimated in the study would be passed on to the customer.

Commodity (Water use) Rate Increases for Imported Water

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 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. These increases account for approximately 47% of the rate increases for Escondido customers over the next five years.

Metropolitan Water District - Readiness to Serve Charge

The MWD Water Availability Charge (Readiness to Serve) is increasing from \$2.32 to \$2.58 per meter per month in 2011. This includes 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 be passing through the increase in the Readiness to Serve charge effective February 1, 2011 and subsequent increases effective January 1 of each subsequent year.

San Diego County Water Authority - Infrastructure Access Charge

The SDCWA Infrastructure Access Charge is increasing from \$2.05 to \$2.22 per equivalent meter per month in 2011. The City of Escondido will be passing through to our customers the increase in the Infrastructure Access Charge effective February 1, 2011 and subsequent increases effective January 1 of each subsequent year.

Specific Wastewater Rate Issues

New Basis for Calculating Wastewater Rates

Residential wastewater charges will now include a fixed charge and a usage charge based on wastewater flow. Wastewater flow will be calculated using internal (non landscape) water usage. This will be estimated by taking 80% of the average winter water usage per customer, from December to March of the previous year for single family and multi-family residences, and 100% of the water usage for mobile homes. Wastewater flow is capped at 10,000 gallons per month for single family residences and 8,000 gallons per month for multi-family residences and mobile homes.

The following tables provide more detailed information on the rate adjustments and increases.

Proposed Monthly Water User Rates for Potable Water

		Current Rate	February 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
<u>WATER RATES</u>	<u>1,000 gal</u>						
Single Family Residential							
Tier 1	0 to 7	\$3.35	\$3.48	\$3.79	\$4.14	\$4.48	\$4.84
Tier 2	7 to 15	\$4.00	\$4.23	\$4.62	\$5.04	\$5.45	\$5.89
Tier 3	15 +	\$4.70	\$5.37	\$5.86	\$6.39	\$6.91	\$7.47
Residential/Agricultural Use							
Tier 1	0 to 7	\$3.73	\$3.48	\$3.79	\$4.14	\$4.48	\$4.84
Tier 2	7 +	\$4.00	\$4.39	\$4.79	\$5.23	\$5.65	\$6.11
Multi-Family Residential							
Tier 1	0 to 5	\$3.35	\$3.48	\$3.79	\$4.14	\$4.48	\$4.84
Tier 2	5 to 7	\$4.00	\$4.23	\$4.62	\$5.04	\$5.45	\$5.89
Tier 3	7 +	\$4.70	\$5.37	\$5.86	\$6.39	\$6.91	\$7.47
For All Water Used:							
Commercial, Industrial & School		\$3.73	\$4.18	\$4.56	\$4.98	\$5.38	\$5.82
Irrigation - Institutional		\$4.00	\$4.51	\$4.92	\$5.37	\$5.80	\$6.27
Landscape Districts		\$3.73	\$4.51	\$4.92	\$5.37	\$5.80	\$6.27
Wild Animal Park		\$4.00	\$4.18	\$4.56	\$4.98	\$5.38	\$5.82
Special Unfiltered		\$2.38	\$2.48	\$2.71	\$2.96	\$3.20	\$3.46
Agricultural Use		\$2.80	\$3.06	\$3.34	\$3.65	\$3.95	\$4.27
SAWR Use		\$3.09	\$3.37	\$3.68	\$4.02	\$4.35	\$4.70

All rates per 1,000 gallons

Proposed Monthly Water Availability Charge

	Current Rate	February 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
5/8" and 3/4"	\$18.06	\$19.63	\$21.40	\$23.33	\$25.20	\$27.22
1"	\$29.14	\$30.84	\$33.62	\$36.65	\$39.59	\$42.76
1 1/2"	\$56.91	\$58.87	\$64.17	\$69.95	\$75.55	\$81.60
	\$89.82	\$92.51	\$100.84	\$109.92	\$118.72	\$128.22
3"	\$179.06	\$199.03	\$216.95	\$236.48	\$255.40	\$275.84
4"	\$278.87	\$356.00	\$388.04	\$422.97	\$456.81	\$493.36
6"	\$555.69	\$787.67	\$858.57	\$935.85	\$1,010.72	\$1,091.58
8"	\$990.30	\$1,348.29	\$1,469.64	\$1,601.91	\$1,730.07	\$1,868.48
3/4" x 3"	\$187.28	\$278.63	\$303.71	\$331.05	\$357.54	\$386.15
1" x 4"	\$294.64	\$423.27	\$461.37	\$502.90	\$543.14	\$586.60
1 1/2" x 6"	\$588.43	\$843.82	\$919.77	\$1,002.55	\$1,082.76	\$1,169.39
3/4" x 3" x 6"	\$722.57	\$843.82	\$919.77	\$1,002.55	\$1,082.76	\$1,169.39
1" x 4" x 8"	\$1,138.68	\$1,348.37	\$1,469.73	\$1,602.01	\$1,730.18	\$1,868.60
2" x 6"	\$645.61	\$843.82	\$919.77	\$1,002.55	\$1,082.76	\$1,169.39
2" x 8"	\$841.76	\$1,348.37	\$1,469.73	\$1,602.01	\$1,730.18	\$1,868.60
Detector Check	\$30.63	\$33.39	\$36.40	\$39.68	\$42.86	\$46.29

Proposed MWD Readiness to Serve Charge

	Current Rate	February 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
5/8" and 3/4"	\$2.32	\$2.58	\$2.84	\$3.13	\$3.45	\$3.56
1"	\$3.74	\$4.15	\$4.57	\$5.03	\$5.54	\$5.71
1 1/2"	\$7.23	\$8.03	\$8.84	\$9.73	\$10.71	\$11.04
2"	\$11.62	\$12.89	\$14.18	\$15.60	\$17.16	\$17.68
3"	\$22.97	\$25.49	\$28.04	\$30.85	\$33.94	\$34.96
4"	\$35.88	\$39.81	\$43.80	\$48.18	\$53.00	\$54.59
6"	\$71.37	\$79.17	\$87.09	\$95.80	\$105.38	\$108.55
8"	\$114.35	\$126.85	\$139.54	\$153.50	\$168.85	\$173.92
5/8" x 2"	\$13.04	\$14.47	\$15.92	\$17.52	\$19.28	\$19.86
3/4" x 3"	\$24.01	\$26.64	\$29.31	\$32.25	\$35.48	\$36.55
1" x 4"	\$37.82	\$41.96	\$46.16	\$50.78	\$55.86	\$57.54
1 1/2" x 6"	\$75.63	\$83.90	\$92.29	\$101.52	\$111.68	\$115.04
3/4" x 3" x 6"	\$92.93	\$103.09	\$113.40	\$124.74	\$137.22	\$141.34
1" x 4" x 8"	\$148.04	\$164.22	\$180.65	\$198.72	\$218.60	\$225.16
2" x 6"	\$82.99	\$92.06	\$101.27	\$111.40	\$122.54	\$126.22
2" x 8"	\$115.51	\$128.14	\$140.96	\$155.06	\$170.57	\$175.69

Proposed CWA Infrastructure Access Charge

	Current Rate	February 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
5/8" and 3/4"	\$2.05	\$2.22	\$2.58	\$2.84	\$3.13	\$3.33
1"	\$3.28	\$3.55	\$4.13	\$4.55	\$5.01	\$5.33
1 1/2"	\$6.15	\$6.66	\$7.74	\$8.52	\$9.38	\$9.98
2"	\$10.66	\$11.54	\$13.40	\$14.74	\$16.22	\$17.25
3"	\$19.68	\$21.30	\$24.73	\$27.21	\$29.94	\$31.84
4"	\$33.62	\$36.39	\$42.25	\$46.48	\$51.13	\$54.37
6"	\$61.50	\$66.56	\$77.28	\$85.01	\$93.52	\$99.45
8"	\$106.61	\$115.37	\$133.95	\$147.35	\$162.09	\$172.36
5/8" x 2"	\$10.66	\$11.54	\$13.40	\$14.74	\$16.22	\$17.25
3/4" x 3"	\$33.62	\$36.39	\$42.25	\$46.48	\$51.13	\$54.37
1" x 4"	\$51.25	\$55.47	\$64.41	\$70.86	\$77.95	\$82.89
1 1/2" x 6"	\$102.51	\$110.94	\$128.81	\$141.70	\$155.87	\$165.75
3/4" x 3" x 6"	\$102.51	\$110.94	\$128.81	\$141.70	\$155.87	\$165.75
1" x 4" x 8"	\$164.01	\$177.49	\$206.08	\$226.69	\$249.36	\$265.16
2" x 6"	\$102.51	\$110.94	\$128.81	\$141.70	\$155.87	\$165.75
2" x 8"	\$164.01	\$177.49	\$206.08	\$226.69	\$249.36	\$265.16

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

Proposed Monthly Wastewater Rates Effective February 1, 2011

Customer Class		Fixed	Other	Wastewater Flow	BOD	TSS
	Unit	\$/mo	\$/unit	\$/ 1,000 gal	\$/lb	\$/lb
Single Family Residential	per unit/mo	\$16.37		\$3.15		
Multi-Family Dwelling	per dwelling unit/mo	\$16.37		\$2.62		
Mobile Homes	Per mobile home/mo	\$16.37		\$1.80		
Senior High Schools	per student/yr		\$23.41			
Elementary & Middle Schools	per student/yr		\$15.61			
Churches	per 100 seats/mo		\$32.52			
Car Wash/Soft Water Service	per acct/mo	\$16.37		\$5.10		
Hotel/Motel without dining	per acct/mo	\$16.37		\$5.82		
Hotel/Motel with dining	per acct/mo	\$16.37		\$8.43		
Repair Shop/Service Station	per acct/mo	\$16.37		\$5.36		
Commercial Laundry	per acct/mo	\$16.37		\$6.04		
Laundromats	per acct/mo	\$16.37		\$5.31		
Hospital	per acct/mo	\$16.37		\$5.69		
Brewery	per acct/mo	\$16.37		\$4.71	\$0.35	\$0.35
Grocery Store with Meat Dept	per acct/mo	\$16.37		\$9.17		
Industrial	per acct/mo	\$16.37		\$7.62		
Restaurant	per acct/mo	\$16.37		\$9.03		
All Other Commercial	per acct/mo	\$16.37		\$5.98		
Discharges to Brine Line	per acct/mo	\$16.37		\$0.73		

BOD = Biochemical oxygen demand**TSS = Total suspended solids**

The rates for 2012 will remain the same and rates will increase 6% per year on January 1 of 2013, 2014, and 2015.

The wastewater rates have been adjusted to reflect the cost of providing wastewater service to each customer class and to increase equity in the system. The wastewater flow rates are calculated based on each customer class' wastewater strengths consistent with industry standards.

Proposed Monthly User Rates for Recycled Water

The recycled monthly service charge is the same as for potable water. The commodity rate is 90 percent of the lowest residential potable rate.

Recycled Water Commodity Rate (\$/kgal)	Current Rate	February 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015
	\$3.00	\$3.13	\$3.41	\$3.73	\$4.03	\$4.36

Public Hearing

The City of Escondido will conduct a public hearing on January 12, 2011 at 7:00 p.m. at 201 North Broadway, Escondido, California 92025 in the City Council Chambers to consider the adoption of changes in water and wastewater rates. The public hearing will also consider the adoption of the fixed cost pass-through and the automatic adjustment formulas described above. Rates are calculated based on the revenue required to cover necessary costs of operations each year that ensure a reliable water supply and wastewater service.

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

Written Protests Accepted Prior to the Public Hearing

Protests to the rate increases, or the pass through of fixed costs from wholesalers, or the automatic adjustment formulas described above must be submitted in writing to the City Clerk's office by 5:30 p.m. on January 12, 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). Please indicate that it is the water and/or wastewater rate change that you are protesting. Please 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**

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 consider and may adopt the proposed rate increase.



City of Escondido
201 North Broadway
Escondido, CA 92025

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IMPORTANT INFORMATION ENCLOSED REGARDING YOUR WATER AND WASTEWATER RATES