



Otay Water District
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Notice of Public Hearing on Water and Sewer Rates

Monday, August 24, 2009
3:30 p.m. in the Board Meeting Room
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

This notice contains important information about residential water and sewer rates. We are notifying all property owners and tenants, within the Otay Water District's service area, of a public hearing to consider pass-through charges and a five-year schedule of proposed rate increases. This notice is provided in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the public hearing is on the front page and at the end of this notice.

The Otay Water District is a revenue neutral public agency that provides water and sewer service to your community. Revenue neutral means that customer bills reflects only those charges sufficient to support their water and sewer service. Each end user pays a fair share of the cost of water acquisition, delivery,

construction, operation, and maintenance of the public water system and facilities. They also only pay a fair share of the cost of sewer collection and treatment, construction, operation and maintenance of the public sewer system and facilities.

The State of California is experiencing supply shortages and the region faces probable water supply reductions over the next few months and years. The Otay Water District adopted a drought response conservation program in June, 2008, establishing drought levels 1 through 4 that correspond to declared water shortage levels. The District has declared a Level 1 and may declare Level 2 in the coming year. The District also adopted a tiered rate structure for all customers to motivate conservation.

In addition to supply shortages, the economy is having an impact on the costs of providing service to

NOTICE OF PUBLIC HEARING FOR PROPERTY OWNERS

our customers. To continue delivering reliable, high-quality service, while maintaining a balanced budget and ensuring that costs are fairly shared by its customers, as required by law, the District must have the ability to implement certain rate increases and to pass-through cost increases imposed on the District by its wholesalers.

The District is proposing to adopt a five-year schedule of proposed water rate increases to be implemented beginning on September 1, 2009 and periodically thereafter through June 30, 2014. Under the proposed schedule, the average customer's water service rates would increase by an amount sufficient to cover cost increases related to operation and maintenance, but not to exceed 10% per year. The increases under the schedule would cover cost increases in power, labor and benefits, materials, maintenance, administrative expenses, and other operational costs of providing water services, including amounts required to meet bond covenants and maintain adequate reserves and rate stability.

In addition, the action would authorize periodic rate changes, over the same five-year period, to pass-through increased or decreased charges implemented by the District's public agency wholesalers, such as the San Diego County Water Authority (CWA), the Metropolitan Water District of Southern California (MWD) and the City of San Diego. Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to a 30-day prior written notice, but would not be subject to additional hearings or protests.

The first water rate increase, in the average amount of 19.9%, is proposed to take effect on September 1, 2009. This increase would pass through the increases recently implemented by CWA and MWD and would also allow the District to cover other recent increases in operational costs, as described above. CWA and MWD indicate that they do not expect to implement additional increases during 2010. However, they do expect to implement increases in January 2011 and subsequent years.

In connection with sewer rates, the District is proposing to adopt a five-year schedule of proposed increases to be implemented beginning on January 1, 2010, and periodically thereafter, through June 30, 2014. Under the proposed schedule, the average customer's sewer service rates would increase by an amount sufficient to cover cost increases related to operation and maintenance, but not to exceed 10%

per year. The increases under the schedule would cover cost increases in power, labor and benefits, materials, maintenance, administrative expenses, and other operational costs of providing sewer services, including amounts required to meet bond covenants and maintain adequate reserves and rate stability.

In addition, the action would authorize periodic rate changes, over the same five-year period, to pass-through increased or decreased charges implemented by the District's public agency wholesalers, such as the City of San Diego and the County of San Diego. Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to 30-day prior written notice, but would not be subject to additional hearings or protests.

The first sewer rate increase, in the average amount of 7.2%, is proposed to take effect on January 1, 2010. This increase would cover the higher cost of complying with newly implemented statewide waste discharge requirements and would also allow the District to cover other recent increases in operational costs, as described above.

The Otay Water District prides itself on being one of the lowest cost water and sewer providers in San Diego County. We will do everything possible to lessen the impact of higher costs on customers while still providing quality service, ensuring reliability, and maintaining the financial health of the public water system.

If you oppose these actions, you may attend the public hearing on Monday, August 24, 2009 at 3:30 p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

Mail written objections to:

Board Secretary
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

About the Otay Water District -

The Otay Water District is a water, recycled water, and sewer service agency. The District was established in 1956 as a California Special District by the State Legislature under the provisions of the Municipal Water District Act of 1911. Its ordinances, policies, taxes, and rates for service are set by five directors, elected by voters in their respective divisions to serve staggered four-year terms.

The Board of Directors meets in open public session on

the first Wednesday of each month at 3:30 p.m. at the District headquarters building. The public is welcome to attend these meetings.

The District provides water service to customers within 125.5 square miles of southeastern San Diego County, California. Its facilities serve the water, recycled water, and sewer needs of approximately 192,000 people living in the communities of Spring Valley, La Presa, Rancho San Diego, Jamul, eastern Chula Vista, and Otay Mesa along the international border with Mexico.