

## NOTICE OF PUBLIC HEARING ON PROPOSED WATER SERVICE FEES

Notice is hereby given that the Helix Water District will conduct a public hearing on Wednesday, October 7, 2015, at 5 p.m. in the boardroom at its administration office located at 7811 University Ave., La Mesa, CA 91942, to consider the adoption of proposed increases to the rates for water service fees for the next five years. If adopted, the proposed rates for water service fees will be implemented between 2016 and 2020. The proposed rates for the district's water service fees are set forth on the following pages.

### Reasons for the Proposed Rate Increases

The district is committed to efficiently providing the highest quality services at the lowest possible rates for its customers. To meet this commitment, each year the district evaluates its infrastructure needs, programs, and operations and maintenance costs for the ensuing fiscal year. This year the district hired an independent rate consultant to determine how best to recover these projected costs over the next five years. Based on this evaluation, the district has determined that rate increases are necessary to: recover current and projected costs of operations and maintenance, including increases in purchased wholesale water and capital infrastructure improvements needed to provide safe and reliable drinking water; maintain the operational and financial stability of the district; and avoid operational deficits and depletion of reserves.

***Impacts of the Statewide Drought*** On January 17, 2014, Governor Jerry Brown issued a drought state of emergency declaration in response to record-low water levels in California's rivers and reservoirs as well as an abnormally low snowpack. On April 1, 2015, Governor Brown issued an executive order calling for statewide mandatory water reductions of up to 25 percent. The district purchases most of its water from the San Diego County Water Authority. That water is imported from two sources: the Colorado River via the Colorado River Aqueduct and northern California via the California Aqueduct. The drought has impacted the cost and availability of imported water the district purchases from SDCWA and the availability of local water supplies.

On May 5, 2015, the State Water Resources Control Board approved regulations, based on Governor Brown's executive order, mandating the district reduce its water consumption by 20 percent for June 2015 through February 2016 as compared to the same months in 2013. This mandate has had a significant impact on the district's revenues and proposed rates for fiscal year 2015-16 and beyond. The district, however, has taken several steps to mitigate the impact to its customers, including delaying \$4.3 million of capital improvement projects, using \$1 million of district reserves to offset rate increases and keeping the district's operating budget essentially flat in fiscal year 2015-16 compared to the prior year's budget.

***Operating Costs and Capital Improvement Program*** The district's rate increases are primarily due to the anticipated 20 percent reduction in water sales and the increasing price of wholesale water purchased from the SDCWA. The fixed costs to operate and maintain the water system remain the same regardless of water sales. The district has taken a conservative approach to its financial projections and has assumed that the reduction in water sales, which meets the 92 gallons per capita per day target (i.e., 20 percent reduction in water usage) set for the district by the state, will continue over the next five years.

The district's budget has three distinct elements. The first element is the cost of wholesale water, which

comprises 41 percent of the district's total budget. Due to the drought, the district's wholesale water purchase cost is expected to decrease by 10.4 percent. The drought-related decrease in the volume of water expected to be purchased is partially offset by the anticipated 13.7 percent increase in the price per acre-foot of wholesale water that the district will purchase from San Diego County Water Authority in fiscal year 2015-16.

The second element of the district's budget is its operating expenses. These costs are expected to stay flat as compared to the prior year's budget and make up 42 percent of the district's total budget. The last element is the district's capital improvement budget, which represents 17 percent of the total budget. The district continues to evaluate new initiatives, programs, and projects for the future. Accordingly, the district will update its ten year capital improvement program on an annual basis to ensure proper maintenance and replacement of its \$1.5 billion infrastructure.

Over the last five years, the district has reduced its operating budgets to avoid significant increases in water service fees to its customers, including reducing its staff by almost 9 percent to offset rising costs. The proposed increase in rates for water service fees will allow the district to recover its costs and to continue to provide safe, reliable drinking water to its customers. As a matter of law, the district is prohibited from making a profit on water sales. It may recover its costs for operations and infrastructure improvements.

***Important Note:*** The district does not receive any revenues from property taxes to offset increases in the costs of providing water services to its customers.

### **Basis Upon Which the Rates for the District's Water Service Fees Are Calculated**

The district's water service fees are structured to proportionally allocate the cost of providing water service among its customer classes and are billed on a bimonthly basis. The rate structure has four primary customer classes: (1) domestic, which includes single-family residential customers; (2) multi-family residential customers; (3) non-residential, which includes commercial and governmental customers; and (4) irrigation customers, which includes customers with separate irrigation meters. Customer classes are further defined in the district's policies and procedures manual (available at the district's administration office or at: [www.hwd.com/about/policies.pdf](http://www.hwd.com/about/policies.pdf)).

The rate structure for the district's water service fees has two components: (1) a fixed meter charge and (2) a variable commodity charge. The meter charge is established on the basis of the size of the water meter (in inches) serving a property and is calculated to recover a significant portion of the district's fixed costs, such as billing and collections, customer service, meter reading, meter maintenance, and meter related capital and infrastructure. The commodity charge is determined on the basis of the amount of water delivered to a property in units, with one unit equal to one hundred cubic feet or 748 gallons, and is calculated to recover the cost of water purchases and a portion of the district's fixed costs.

In addition to the water service charges described above, the district also imposes a fixed bimonthly fire service line charge on certain properties as a condition of extending or initiating water service (1) by the installation of a private fire suppression system, and (2) upon the request of the customer or property owner for the delivery of water to the property for the purpose of fire service protection. The rates for the bimonthly fire service line charges are established on the basis of the size of the fire service lateral (in inches) through which water is delivered and is calculated to recover the cost of providing water to such properties for private fire service protection.

If adopted, the rates described in this notice will be in effect and applied to water services provided on and after November 1, 2015, November 1, 2016, November 1, 2017, November 1, 2018, and November 1, 2019, respectively. Under the district's bimonthly billing system, the new rates will first appear on customers' bills beginning January 1, 2016, January 1, 2017, January 1, 2018, January 1, 2019, and January 1, 2020, respectively.

### Proposed Rates for Meter Charges

The current and proposed rates for the bimonthly meter charge for all customer classes, to be effective beginning each November 1 for the next five years, are shown in the table below.

<b>Current and Proposed Rates for Bimonthly Meter Charges (\$/Meter Size)</b>						
<b>Meter Size</b>	<b>Current</b>	<b>Nov. 1, 2015</b>	<b>Nov. 1, 2016</b>	<b>Nov. 1, 2017</b>	<b>Nov. 1, 2018</b>	<b>Nov. 1, 2019</b>
<b>5/8"-3/4"</b>	\$43.36	\$43.55	\$47.07	\$50.91	\$52.95	\$55.07
<b>1"</b>	\$80.79	\$63.65	\$68.79	\$74.40	\$77.38	\$80.48
<b>1 1/2"</b>	\$152.76	\$113.88	\$123.08	\$133.11	\$138.44	\$143.98
<b>2"</b>	\$239.13	\$174.16	\$188.22	\$203.55	\$211.70	\$220.17
<b>3"</b>	\$440.64	\$365.05	\$394.52	\$426.65	\$443.72	\$461.47
<b>4"</b>	\$728.52	\$646.35	\$698.53	\$755.41	\$785.63	\$817.06
<b>6"</b>	\$1,448.24	\$1,319.48	\$1,426.00	\$1,542.11	\$1,603.80	\$1,667.96
<b>8"</b>	\$2,311.89	\$2,826.48	\$3,054.65	\$3,303.36	\$3,435.50	\$3,572.92

### Proposed Rates for Fire Service Charges

The current and proposed rates for the bimonthly private fire line charges, to be effective beginning each November 1 for the next five years, are shown in the table below.

<b>Current and Proposed Rates for Bimonthly Private Fire Line Charges \$/Lateral Size</b>						
<b>Lateral Size</b>	<b>Current</b>	<b>Nov. 1, 2015</b>	<b>Nov. 1, 2016</b>	<b>Nov. 1, 2017</b>	<b>Nov. 1, 2018</b>	<b>Nov. 1, 2019</b>
<b>3/4"</b>	\$80.79	\$8.85	\$9.57	\$10.35	\$10.76	\$11.19
<b>1"</b>	\$80.79	\$11.80	\$12.76	\$13.79	\$14.35	\$14.92
<b>2"</b>	\$80.79	\$23.60	\$25.51	\$27.59	\$28.69	\$29.84
<b>4"</b>	\$80.79	\$47.21	\$51.02	\$55.17	\$57.38	\$59.68
<b>6"</b>	\$80.79	\$70.81	\$76.53	\$82.76	\$86.07	\$89.51
<b>8"</b>	\$80.79	\$94.42	\$102.04	\$110.35	\$114.76	\$119.35
<b>10"</b>	\$80.79	\$118.02	\$127.55	\$137.94	\$143.45	\$149.19

### Proposed Rates for Domestic Class Commodity Charges

For domestic class customers, the commodity charge consists of three tiers that impose higher rates per unit of water as the level of consumption increases. On average, customers who use more water place greater demands on the district's water system and scarce resources and therefore pay a higher cost per unit of water

than those who use less water. Water is our most vital resource. For health and safety reasons, by state law, indoor water usage is given the highest priority, whereas outdoor water usage for landscape irrigation is considered to be the least essential. The district's recent cost of service study has confirmed that domestic class consumption between 0 and 14 units provides for indoor water needs for the average household in the district using 60 gallons per capita per day of water. Tier 2 usage of between 15 and 34 units of water provides for reasonable and efficient outdoor water demand. Tier 3 is for usage above the total water allotment provided through tiers 1 and 2 combined. Accordingly, the district has proposed the above changes to its domestic class tiers for usage of water per bimonthly billing period.

Tier	Current Units	Proposed Units
1	0-10	0-14
2	11-30	15-34
3	31+	35+

The district's current and proposed rates for domestic class commodity charges, to be effective beginning each November 1 for the next five years, are shown in the table below.

Current and Proposed Rates for Bimonthly Domestic Commodity Charges \$/Unit of Water						
Tiers	Current	Nov.1, 2015	Nov.1, 2016	Nov.1, 2017	Nov.1, 2018	Nov.1, 2019
Tier 1	\$3.31	\$3.97	\$4.50	\$5.11	\$5.56	\$6.07
Tier 2	\$4.14	\$4.70	\$5.29	\$5.97	\$6.45	\$6.99
Tier 3	\$5.51	\$5.92	\$6.61	\$7.39	\$7.93	\$8.53

As a result of the proposed rates for the water service fees, the average domestic class customer's bimonthly bill of 26 units will increase by approximately \$12.83 for fiscal year 2015-16. Approximately \$6.76 of the \$12.83 increase in the average domestic class customer's bimonthly bill is due to the pass-through of increases in the cost per acre-foot of water the district purchases from San Diego County Water Authority, which is outside of the district's control. The exact amount of the increase will vary among domestic class customers because of varying levels of water consumption.

Example of an Average Domestic Class Bimonthly Water Bill 3/4" meter consuming 26 units of water for a 2-month period						
	Current	Nov. 1, 2015	Nov. 1, 2016	Nov. 1, 2017	Nov. 1, 2018	Nov. 1, 2019
<b>Meter Charge</b>	<b>\$43.36</b>	<b>\$43.55</b>	<b>\$47.07</b>	<b>\$50.91</b>	<b>\$52.95</b>	<b>\$55.07</b>
<b>Commodity Charge</b>						
First 14 units	\$49.66	\$55.58	\$63.00	\$71.54	\$77.84	\$84.98
Next 12 units	\$49.68	\$56.40	\$63.48	\$71.64	\$77.40	\$83.88
<b>Total Bimonthly Bill</b>	<b>\$142.70</b>	<b>\$155.53</b>	<b>\$173.55</b>	<b>\$194.09</b>	<b>\$208.19</b>	<b>\$223.93</b>

#### Proposed Rates for Multi-Family and Non-Residential Class Commodity Charges

Multi-family and non-residential (commercial/government) class customers share some similar characteristics in that outdoor landscaping is generally minimal. However, based on the district's recent cost of service study, rates have been separately developed for these classes based on their usage characteristics and the proportional cost to the district of providing water to these customer classes. The

district's current and proposed rates for the multi-family and non-residential customer classes' commodity charges, to be effective beginning each November 1 for the next five years, are shown in the table below.

<b>Current and Proposed Rates for Bimonthly Multi-Family and Non-Residential Commodity Charges (\$/Unit of Water)</b>						
<b>Class</b>	<b>Current</b>	<b>Nov.1, 2015</b>	<b>Nov.1, 2016</b>	<b>Nov.1, 2017</b>	<b>Nov.1, 2018</b>	<b>Nov.1, 2019</b>
<b>Multi-Family</b>	\$4.14	\$4.54	\$5.12	\$5.78	\$6.26	\$6.79
<b>Non-Residential</b>	\$4.14	\$4.59	\$5.17	\$5.84	\$6.32	\$6.86

### **Proposed Rates for Irrigation Class Commodity Charges**

Each irrigation class customer is allocated a reasonable amount of water for efficient outdoor water use based on the square footage of the irrigated area and the location of the property. This allocation is referred to as a water budget. The commodity charges currently consist of three tiers that impose higher rates per unit of water as the level of consumption increases. The district is proposing a change to the usage tiers for irrigation class customers, reducing these tiers from three to two.

Under this structure, irrigation class customers whose water use remains within their water budget will be billed at the rate in the first tier, which is equivalent to the domestic class customer commodity rate for tier 2 water use. Irrigation class customers who exceed their water budget will be billed at the rate that is equivalent to the domestic class customer commodity rate for tier 3 water use. The district's current and proposed rates for irrigation class commodity charges, to be effective beginning each November 1 for the next five years, are shown in the table below.

<b>Current and Proposed Rates for Bimonthly Irrigation Commodity Charges \$/Unit of Water</b>						
<b>Tier</b>	<b>Current</b>	<b>Nov.1, 2015</b>	<b>Nov.1, 2016</b>	<b>Nov.1, 2017</b>	<b>Nov.1, 2018</b>	<b>Nov.1, 2019</b>
<b>Tier 1</b>	\$4.14	\$4.70	\$5.29	\$5.97	\$6.45	\$6.99
<b>Tier 2</b>	\$6.21	\$5.92	\$6.61	\$7.39	\$7.93	\$8.53
<b>Tier 3</b>	\$8.28	-	-	-	-	-

The rates for domestic and irrigation class customers are structured to recover the costs to the district associated with the higher demands that water for outdoor landscaping and irrigation place on the district's water system. For tips on how to use less water for landscape irrigation, visit the Water Conservation Garden at Cuyamaca College or its website, [www.thegarden.org](http://www.thegarden.org).

### **Water Pass-Through Adjustments**

The district anticipates that the San Diego County Water Authority will increase the rates of wholesale water that it sells and delivers to the district and may impose other charges on the district related to its wholesale water service. In developing its rates, the district included projected increases in these costs as part of its five-year financial projection. To ensure that there are sufficient revenues to provide water services, the district is proposing to annually pass through to its customers any increases in the rates for wholesale water and any other charges that the SDCWA imposes on the district (each a San Diego County Water Authority pass-through adjustment).

Any San Diego County Water Authority pass-through adjustment will impact the rates of the commodity charges for all customer classes, including domestic, multi-family, non-residential and irrigation customers set forth in the tables above. If approved, the district's board of directors may implement any SDCWA pass-through adjustment at any time for the five-year period commencing January 1, 2016. Provided, however, that (1) any increase in the rates for the commodity charges described above as a result of any SDCWA pass-through adjustment shall not exceed 15 percent per year; (2) in no event shall such rates be increased by more than the cost of providing water service; and (3) the district shall provide all customers a minimum 30-day written notice prior to implementing any SDCWA pass-through adjustment.

### **Public Hearing**

Any record owner of a parcel upon which the water service fees are proposed for imposition, or any tenant directly responsible for the payment of water service fees (i.e., a customer of record who is not a property owner) may submit a written protest of the proposed rate increases and San Diego County Water Authority pass-through adjustments; however, only one written protest will be counted per identified parcel. Any protest must: (1) be in writing; (2) state that the identified property owner or tenant is opposed to the proposed water rate increases and SDCWA pass-through adjustments; (3) provide the location of the identified parcel (by street address or assessor's parcel number); and (4) include the name and signature of the property owner or tenant submitting the written protest.

Written protests may be submitted by U.S. mail or in person to 7811 University Ave., La Mesa, CA 91942, or at the public hearing to be held on October 7, 2015. To be counted, all written protests must be received prior to the conclusion of the public comment portion of the public hearing. Any protest submitted via email or other electronic means will not be accepted as a qualified formal protest. Please identify on the front of the envelope, whether mailed or submitted in person, Attn: Board Secretary - Public Hearing on Proposed Water Service Fee Increases.

The district's board of directors will hear public comments and consider the written protests regarding the rate increases to the district's water service fees at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a proper, written protest. Upon the conclusion of the public hearing, the board of directors will consider adoption of the increases in the rates for water service fees and the SDCWA pass-through adjustments as described in this notice. If a majority of the affected property owners and tenants timely file written protests, the proposed increases may not be imposed.

### **Timing of Water Service Fee Increases**

As previously noted, if adopted, the rates described in this notice will be in effect and applied to water services provided on and after November 1, 2015, November 1, 2016, November 1, 2017, November 1, 2018, and November 1, 2019, respectively. Under the district's bimonthly billing system, the new rates will first appear on customer bills beginning January 1, 2016, January 1, 2017, January 1, 2018, January 1, 2019, and January 1, 2020, respectively. If the district's costs and the district's estimates of the SDCWA water purchase costs are less than projected for fiscal years 2015-16 through fiscal year 2019-20, the proposed rates will be adjusted accordingly. Other than increases in water service fees from pass-through adjustments from the SDCWA as noted above, water service fee increases related to the district's costs that are included in the proposed rates are the maximum that may be implemented without the district providing additional notification to property owners and customers.

If you have any questions regarding this notice, your customer classification, or the impact the proposed rate increases may have on your water service fees, please contact the district at (619) 466-0585 or visit our website at [www.hwd.com](http://www.hwd.com).

Helix Water District						
Sample Bill Calculations - Proposed Fiscal Year 2015-16						
<b>Domestic 3/4" Meter</b>						
<b>Proposed FY 2015-16</b>					Change from	
Use	Commodity	Meter	Total	FY 2014-15		
HCF	Rate	Charge	Charge	Bill	\$	%
5	\$3.97	\$19.85	\$43.55	\$63.40	\$3.49	5.8%
10		\$39.70	\$43.55	\$83.25	\$6.79	8.9%
14		\$55.58	\$43.55	\$99.13	\$6.11	6.6%
15	\$4.70	\$60.28	\$43.55	\$103.83	\$6.67	6.9%
20		\$83.78	\$43.55	\$127.33	\$9.47	8.0%
<b>26 *</b>		<b>\$111.98</b>	<b>\$43.55</b>	<b>\$155.53</b>	<b>\$12.83</b>	<b>9.0%</b>
30		\$130.78	\$43.55	\$174.33	\$15.07	9.5%
34		\$149.58	\$43.55	\$193.13	\$11.83	6.5%
50	\$5.92	\$244.30	\$43.55	\$287.85	\$18.39	6.8%
100		\$540.30	\$43.55	\$583.85	\$38.89	7.1%
200		\$1,132.30	\$43.55	\$1,175.85	\$79.89	7.3%
250		\$1,428.30	\$43.55	\$1,471.85	\$100.39	7.3%
* Bimonthly usage for average domestic class customer						
<b>Multi-Family 3/4" Meter</b>						
<b>Proposed FY 2015-16</b>					Change from	
Use	Commodity	Meter	Total	FY 2014-15		
HCF	Rate	Charge	Charge	Bill	\$	%
10	\$4.54	\$45.40	\$43.55	\$88.95	\$4.19	4.9%
30	\$4.54	\$136.20	\$43.55	\$179.75	\$12.19	7.3%
80	\$4.54	\$363.20	\$43.55	\$406.75	\$32.19	8.6%
<b>Commercial and Government 1" Meter</b>						
<b>Proposed FY 2015-16</b>					Change from	
Use	Commodity	Meter	Total	FY 2014-15		
HCF	Rate	Charge	Charge	Bill	\$	%
80	\$4.59	\$367.20	\$63.65	\$430.85	\$19.66	4.8%
<b>Irrigation</b>						
<b>Based on a 2" meter and water budget of 148 units</b>						
<b>Proposed FY 2015-16</b>					Change from	
Use	% of	Commodity	Meter	Total	FY 2014-15	
HCF	Budget	Rate	Charge	Charge	Bill	\$ %
80	54%	\$4.70	\$376.00	\$174.16	\$550.16	-\$20.17 -3.5%
148	100%		\$695.60	\$174.16	\$869.76	\$17.91 2.1%
180	122%	\$5.92	\$885.04	\$174.16	\$1,059.20	\$4.49 0.4%
260	176%		\$1,358.64	\$174.16	\$1,532.80	-\$184.31 -10.7%