

Proposed Revenue Adjustments

The District recently retained an independent rate consulting firm to perform a Cost of Service and Water Rate Study (Study) to be used as the basis for calculating future water rates and charges. The Study's purpose was to develop a long-term financial plan for the District and to determine the appropriate rates and charges to sufficiently fund that plan. These rates and charges are calculated in compliance with industry accepted cost of service principles and a reflect a direct correlation between the cost of providing water service and the rates and charges applied to the end user. Water rates and charges cannot be calculated as higher than the actual cost to provide service.

Date	Potable	Recycled
July 1, 2022	4.0%	-10.0%
July 1, 2023	4.0%	0.0%
July 1, 2024	4.0%	0.0%
July 1, 2025	4.0%	0.0%
July 1, 2026	4.0%	0.0%

A five-year rate and charge plan is proposed. The Study includes separate rate and charge plans for the potable water and recycled water enterprises. Proposed rates and charges for July 1, 2022 have been calculated based upon current cost of service. After these cost of service calculations, the annual revenue adjustments as shown in Table A are proposed.

As part of the potable water financial plan, the District is proposing to utilize its current level of available cash to reduce the overall required potable revenue adjustment and mitigate rate and charge impacts to its customers. The District is proposing to strategically draw down its available cash throughout the potable water financial plan such that by the 5th year of the financial plan, available cash approximately matches maximum target reserve levels.

The District has not adjusted water rates and charges since September 1, 2019 (over two years ago)

The health of the recycled water financial plan is allowing for a proposed revenue reduction on July 1, 2022 and then allowing for no further proposed adjustments in future years of the financial plan.

Actual water rates and charges may vary between classes of users and meter sizes depending upon the specific demands placed upon the system. Therefore, customers may see actual bill impacts that differ from these annual revenue adjustments.

Reasons for the Proposed Adjustments

The proposed water rate and charge adjustments are required to fund future commitments that ensure the District continues to meet the objective of providing safe and reliable drinking water to its customers. The main factors driving the need to adjust the District's water rates and charges are described below:

- 1) Continue to fund on-going O&M needs: The financial plan projects future costs to maintain the general operation of the District and maintenance of the water distribution system. These costs include contract, material, labor, and utility costs, and aim to keep pace with inflation and other cost increases over time.
- 2) Accommodate increasing wholesale water costs: The District purchases imported treated water from the San Diego County Water Authority (SDCWA) to meet its potable water supply needs. Water purchase costs comprise almost half of the potable water budget and are a major influence on the District's financial plan. SDCWA updates their wholesale commodity costs and fixed charges on an annual basis. Based upon currently available information, 5% annual increases for wholesale water costs are projected through the financial plan.
- 3) Address reduced water sales volumes: Potable water sales volume has decreased from over 7,000 AF in 2013 to approximately 5,000 AF in recent years. This reduction in sales volume means less water sales revenue to fund the District's on-going needs, including fixed and variable expenses. The financial plan incorporates refined water sales and purchase projections to account for this lower level of water demand.
- 4) Fund Capital Improvement Program (CIP): A properly maintained CIP is crucial to ensuring the District delivers safe and reliable water to its customer while reducing emergencies and more costly deferred maintenance. Future projects include pipeline and valve replacements, water meter replacements and upgrades, technology advancements, and facility/equipment improvements.

- 5) Fund reserves at maximum target levels: The financial plan proposes updates to the District's various reserve methodologies and targets to ensure funds are put to their best and most appropriate use. To ensure the on-going fiscal stability of the District and to ensure proper planning for emergencies, the financial plan sets the District's reserves at their maximum target levels.
- 6) Meet Financial Plan Goals: The financial plan identified several objectives, including accelerating CalPERS Pension Unfunded Accrued Liability (UAL) payments, eliminating credit card transaction fees to customers, and providing for two additional staff positions to address strategic needs. Funding for these goals and objectives has been incorporated in the overall financial plan.
- 7) Compliance with Debt Service Requirements: The financial plan ensures continued compliance with on-going debt service requirements related to the District's 2016 debt issuance, including biennial principal and interest payments, and maintaining the required debt coverage ratio.

Basis for Calculating Water Rates and Charges

The District's water rate and charge structure is comprised of several components:

- Meter Service Charge: The Meter Service Charge is a fixed monthly charge based on the size of the meter serving the property. It is calculated to recover a portion of the District's fixed costs such as billing, customer service, meter reading, and meter maintenance costs.
- SDCWA Infrastructure Access Charge (IAC) Pass-Through: The District passes through the equivalent cost of the SDCWA Infrastructure Access Charge (IAC) to all potable water customers. The IAC is a fixed monthly charge based on the size of the meter serving the property. The IAC is updated by SDCWA and the District every calendar year on January 1 as a pass-through.
- Fire Service Charge: Certain customers who require a fire meter or fire line to serve their property are required to pay a separate fixed monthly fire service charge to recover costs related to maintenance of those fire lines and fire meters. The Fire Service Charge is established based on the size of the fire meter/line serving the property.
- Usage Rates: Usage Rates are a cost per unit of water (1 unit = 1,000 gallons) consumed and are calculated based on the cost of providing water to specific user classes and tiers (when applicable). Usage Rates include components related to supply and delivery costs, peaking factors, and revenue offsets (when applicable). Residential rate classes will consist of two tiers that impose a higher rate as the level of consumption increases due to the increased demand placed on the water system by high water users. Non-residential rate classes will be set at flat (uniform) rates for all levels of consumption due to more consistent usage patterns.

With the exception of the IAC pass-through, which is only charged to potable water customers, water rates and charges are calculated separately for the potable water and recycled water enterprises.

Drought Rates

Drought rates are established to ensure the District recovers sufficient revenues to fund the cost of providing water service when potable water demand decreases due to drought, water-use restrictions, or other factors that limit water sales. During these conditions, the District typically sells less potable water to customers and in-turn purchases less water from its wholesaler. The net loss between water sales revenues and water purchase expenses impacts the financial stability of the District. Drought rates are developed to be implemented during on-going periods of reduced demand, upon approval by the Board of Directors, to ensure revenue stability. Drought rates are established in blocks of 10% reductions and may be pro-rated if the required water demand reduction falls between two blocks.

The District is currently under Level 1 drought rates, per prior Board action. Due to refined water sales projections, and following the results of the financial plan, staff is recommending that the District revert to base rates and out of Level 1 drought rates with proposed implementation of the new water rates and charges on July 1, 2022. However, future drought rates are calculated and established in the in the event they are needed.

Proposed Water Rates and Charges

Table B: Proposed Potable Meter Service Charges (Monthly)

Meter Size	Current Charge	Proposed 07/01/22	Proposed 07/01/23	Proposed 07/01/24	Proposed 07/01/25	Proposed 07/01/26
5/8"	\$35.88	\$30.50	\$31.72	\$32.99	\$34.31	\$35.69
3/4"	\$35.88	\$39.72	\$41.31	\$42.97	\$44.69	\$46.48
1"	\$50.93	\$58.15	\$60.48	\$62.90	\$65.42	\$68.04
1 1/2"	\$76.03	\$104.23	\$108.40	\$112.74	\$117.25	\$121.94
2"	\$105.14	\$159.52	\$165.91	\$172.55	\$179.46	\$186.64
3"	\$201.49	\$334.62	\$348.01	\$361.94	\$376.42	\$391.48
4"	\$276.76	\$472.85	\$491.77	\$511.45	\$531.91	\$553.19
6"	\$527.68	\$933.63	\$970.98	\$1,009.82	\$1,050.22	\$1,092.23
8"	\$828.78	\$1,486.57	\$1,546.04	\$1,607.89	\$1,672.21	\$1,739.10
10"	N/A	\$3,514.01	\$3,654.57	\$3,800.75	\$3,952.78	\$4,110.89
12"	N/A	\$9,227.70	\$9,596.81	\$9,980.68	\$10,379.91	\$10,795.10

Table C: Proposed Potable Fire Service Charges (Monthly)

Meter Size	Current Charge	Proposed 07/01/22	Proposed 07/01/23	Proposed 07/01/24	Proposed 07/01/25	Proposed 07/01/26
1"	\$16.33	\$5.69	\$5.92	\$6.16	\$6.41	\$6.67
2"	\$32.66	\$11.04	\$11.49	\$11.95	\$12.43	\$12.93
3"	Not Calculated	\$23.19	\$24.12	\$25.09	\$26.10	\$27.15
4"	\$65.33	\$44.14	\$45.91	\$47.75	\$49.66	\$51.65
6"	\$97.99	\$119.35	\$124.13	\$129.10	\$134.27	\$139.65
8"	\$130.66	\$249.07	\$259.04	\$269.41	\$280.19	\$291.40
10"	\$163.32	\$444.19	\$461.96	\$480.44	\$499.66	\$519.65

Table D: Proposed Potable SDCWA Infrastructure Access Charges (IAC) Pass-Through (Monthly)

Meter Size	Current Charge	Proposed 07/01/22	Proposed 01/01/23	Proposed 01/01/24	Proposed 01/01/25	Proposed 01/01/26
5/8"	\$2.42	\$4.24	TBD	TBD	TBD	TBD
3/4"	\$2.42	\$4.24	TBD	TBD	TBD	TBD
1"	\$6.06	\$6.78	TBD	TBD	TBD	TBD
1 1/2"	\$12.12	\$12.72	TBD	TBD	TBD	TBD
2"	\$19.40	\$22.05	TBD	TBD	TBD	TBD
3"	\$42.43	\$40.70	TBD	TBD	TBD	TBD
4"	\$60.62	\$69.54	TBD	TBD	TBD	TBD
6"	\$121.24	\$127.20	TBD	TBD	TBD	TBD
8"	\$193.99	\$220.48	TBD	TBD	TBD	TBD
10"	Not Calculated	\$330.72	TBD	TBD	TBD	TBD
12"	Not Calculated	\$559.68	TBD	TBD	TBD	TBD

Table E: Proposed Recycled Meter Service Charges (Monthly)

Meter Size	Current Charge	Proposed 07/01/22
5/8"	\$17.94	\$18.87
3/4"	Not Calculated	\$22.28
1"	\$25.47	\$29.08
1 1/2"	\$38.01	\$46.09
2"	\$53.07	\$66.50
3"	\$100.74	\$131.14
4"	\$138.38	\$182.17
6"	\$263.84	\$352.27
8"	\$414.39	\$556.39
10"	Not Calculated	\$1,304.83
16"	\$1,317.71	\$3,414.07

Table F: Proposed Recycled Fire Service Charges (Monthly)

Meter Size	Current Charge	Proposed 07/01/22
5/8"	Not Calculated	\$0.45
3/4"	Not Calculated	\$0.72
1"	\$16.33	\$1.54
1 1/2"	Not Calculated	\$4.46
2"	\$32.66	\$9.50
3"	Not Calculated	\$27.60
4"	\$65.33	\$58.82
6"	\$97.99	\$170.87
8"	\$130.66	\$364.12
10"	\$163.32	\$654.82
16"	Not Calculated	\$2,254.01

Proposed Water Rates and Charges (continued)

Table G: Proposed Usage Rates (Per Unit = 1,000 Gallons)								
Customer Class	Tier	Proposed Block	Current Rate *	Proposed 07/01/22	Proposed 07/01/23	Proposed 07/01/24	Proposed 07/01/25	Proposed 07/01/26
Single-Family Residential	Tier I	0-7 Units	\$7.63	\$8.14	\$8.47	\$8.81	\$9.17	\$9.54
	Tier II	8+ Units	\$8.82	\$9.30	\$9.68	\$10.07	\$10.48	\$10.90
	Tier III	Eliminated	\$9.34	-	-	-	-	-
Multi-Family Residential (* per dwelling)	Tier I	0-7 Units *	\$7.63	\$8.14	\$8.47	\$8.81	\$9.17	\$9.54
	Tier II	8+ Units *	\$8.82	\$9.30	\$9.68	\$10.07	\$10.48	\$10.90
	Tier III	Eliminated	\$9.34	-	-	-	-	-
Non-Residential	Uniform		\$8.28	\$8.93	\$9.29	\$9.67	\$10.06	\$10.47
Irrigation	Uniform		-	\$9.24	\$9.61	\$10.00	\$10.40	\$10.82
	Tier I	Eliminated	\$8.82	-	-	-	-	-
	Tier II	Eliminated	\$9.34	-	-	-	-	-
Construction	Uniform		\$9.23	\$9.24	\$9.61	\$10.00	\$10.40	\$10.82
Recycled Water	Uniform		\$5.86	\$5.14	\$5.14	\$5.14	\$5.14	\$5.14
Pumping Charge	Uniform	Eliminated	\$0.29	-	-	-	-	-

* Level 1 Drought Rate shown as Current Rate

Proposed Drought Rates (Potable Only)

Table H: Proposed Drought Rates (Per Unit = 1,000 Gallons)							
Customer Class	Tier	Proposed Block	Proposed 07/01/22	Proposed 07/01/23	Proposed 07/01/24	Proposed 07/01/25	Proposed 07/01/26
LEVEL 1							
Single-Family Residential	Tier I	0-7 Units	\$8.46	\$8.80	\$9.15	\$9.53	\$9.91
	Tier II	8+ Units	\$9.66	\$10.06	\$10.46	\$10.89	\$11.32
Multi-Family Residential (* per dwelling)	Tier I	0-7 Units *	\$8.46	\$8.80	\$9.15	\$9.53	\$9.91
	Tier II	8+ Units *	\$9.66	\$10.06	\$10.46	\$10.89	\$11.32
Non-Residential	Uniform		\$9.28	\$9.65	\$10.05	\$10.45	\$10.88
Irrigation	Uniform		\$9.60	\$9.98	\$10.39	\$10.80	\$11.24
Construction	Uniform		\$9.60	\$9.98	\$10.39	\$10.80	\$11.24
LEVEL 2							
Single-Family Residential	Tier I	0-7 Units	\$8.81	\$9.16	\$9.53	\$9.92	\$10.32
	Tier II	8+ Units	\$10.06	\$10.47	\$10.89	\$11.34	\$11.79
Multi-Family Residential (* per dwelling)	Tier I	0-7 Units *	\$8.81	\$9.16	\$9.53	\$9.92	\$10.32
	Tier II	8+ Units *	\$10.06	\$10.47	\$10.89	\$11.34	\$11.79
Non-Residential	Uniform		\$9.66	\$10.05	\$10.46	\$10.88	\$11.33
Irrigation	Uniform		\$10.00	\$10.40	\$10.82	\$11.25	\$11.70
Construction	Uniform		\$10.00	\$10.40	\$10.82	\$11.25	\$11.70
LEVEL 3							
Single-Family Residential	Tier I	0-7 Units	\$9.26	\$9.63	\$10.02	\$10.43	\$10.85
	Tier II	8+ Units	\$10.58	\$11.01	\$11.45	\$11.92	\$12.40
Multi-Family Residential (* per dwelling)	Tier I	0-7 Units *	\$9.26	\$9.63	\$10.02	\$10.43	\$10.85
	Tier II	8+ Units *	\$10.58	\$11.01	\$11.45	\$11.92	\$12.40
Non-Residential	Uniform		\$10.16	\$10.57	\$11.00	\$11.44	\$11.91
Irrigation	Uniform		\$10.51	\$10.93	\$11.37	\$11.83	\$12.31
Construction	Uniform		\$10.51	\$10.93	\$11.37	\$11.83	\$12.31
LEVEL 4							
Single-Family Residential	Tier I	0-7 Units	\$9.79	\$10.19	\$10.59	\$11.03	\$11.47
	Tier II	8+ Units	\$11.18	\$11.64	\$12.11	\$12.60	\$13.11
Multi-Family Residential (* per dwelling)	Tier I	0-7 Units *	\$9.79	\$10.19	\$10.59	\$11.03	\$11.47
	Tier II	8+ Units *	\$11.18	\$11.64	\$12.11	\$12.60	\$13.11
Non-Residential	Uniform		\$10.74	\$11.17	\$11.63	\$12.10	\$12.59
Irrigation	Uniform		\$11.11	\$11.56	\$12.03	\$12.51	\$13.01
Construction	Uniform		\$11.11	\$11.56	\$12.03	\$12.51	\$13.01

How to Protest the Proposed Water Rates and Charges

Any property owner of a parcel upon which the water rates and charges are proposed for imposition or any tenant directly liable for the payment of water rates and charges (i.e. customer or record who is not a property owner) may submit a written protest to the water rate and charge structure shown and described in this notice. Only one protest will be counted per identified parcel subject to the water rates and charges. Each protest must: 1) be in writing; 2) state that the identified owner or customer is in opposition to the proposed adjustments to the water rates and charges; 3) provide the location of the identified parcel by assessor's parcel number or street address; and 4) include the name and original signature of the owner or customer submitting the protest.

Written protests may be submitted by mail or in-person to Rincon del Diablo MWD, 1920 North Iris Lane, Escondido, CA 92026, provided they are received prior to the conclusion of the public comment portion of the Public Hearing. Please identify on the front of the envelope of any protest (whether mailed or submitted In-person) that the enclosed letter is for the "Public Hearing on the Proposed Adjustment to Water Rates and Charges." Protests submitted by e-mail, facsimile, or other electronic means will not qualify.

Members of the public are welcome to attend the Public Hearing and will have the opportunity to speak and give testimony regarding the proposed water rate and charge adjustments. Oral comments at the Public Hearing will not qualify as written protests.

At the conclusion of the Public Hearing, the Board of Directors will consider adoption of the proposed water rate and charge adjustments. The Board will consider all timely submitted written protests and hear and consider all public comments made at the Public Hearing. If written protests against the proposed water rate and charge adjustments included in this notice are not presented by owners or customers of a majority of the identified parcels subject to the water rate and charge adjustments, the Board of Directors will be authorized to adopt the water rates and charges. If adopted, the Board of Directors will be able to impose the water rates and charges, which may include pass-through adjustments and drought rates, as shown and described in this notice, for a five-year period with water rate and charge adjustments occurring on July 1, 2022, 2023, 2024, 2025 and 2026.

If adopted, there is a 120-day statute of limitations for challenging the water rates and charges proposed herein, which will begin from the date that the rates are adopted or the date the resolution adopting the rates goes into effect, whichever is later.

If you have any questions regarding the information provided in this notice, or the rates and charges applicable to your property, please contact the Rincon del Diablo Municipal Water District at 760-745-5522.

How to Find Additional Information about the Proposed Rate and Charge Adjustments

Copies of the Cost of Service and Water Rate Study (Study) further detailing the bases and reasons for the proposed water rate and charge adjustments are available for public review at the following locations:

In Person:	Rincon del Diablo MWD District Office 1920 North Iris Lane Escondido, CA 92026	Online:	www.rinconwater.org
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The Study also provides additional information regarding the potential bill impacts for various customer classes from the proposed water rates and charges for common meter sizes and monthly consumption levels.

Este aviso está disponible en español. Se puede encontrar en Rincon del Diablo Municipal Water District por medio de Internet en www.rinconwater.org o puede hablar a 760-745-5522.

If you have any questions regarding this notice or the proposed water rates and charges, please call 760-745-5522.



1920 North Iris Lane
Escondido, CA 92026

DATED MATERIAL – DO NOT DELAY DELIVERY

IMPORTANT INFORMATION ABOUT YOUR WATER RATES AND CHARGES

**Rincon del Diablo Municipal Water District
Proposition 218 Notification
NOTICE OF PUBLIC HEARING ON PROPOSED CHANGES TO
WATER RATES AND CHARGES**

Date & Time: June 14, 2022 @ 5:00 p.m.

Location: Rincon del Diablo MWD District Office Virtual: www.rinconwater.org *
1920 North Iris Lane
Escondido, CA 92026

Notice is hereby given pursuant to Article XIID of the California Constitution (Proposition 218) that the Rincon del Diablo Municipal Water District will hold a Public Hearing to consider proposed adjustments to rates and charges for water service to the parcel for which you are shown as the property owner of customer of record.

This notice describes: 1) how to find additional information about the proposed adjustments; 2) the proposed revenue adjustments; 3) the reasons for the proposed revenue adjustments; 4) how the proposed rates and charges were calculated; 5) the amount of the proposed rates and charges for water service; 6) information about drought rates; and 7) how to protest the proposed water rate and charge adjustments.

* Virtual meeting access information, along with the full meeting agenda, will be published to the District website in advance of the Public Hearing