



NOTICE OF PUBLIC HEARING

Regarding proposed increases to Olivenhain Municipal Water District water charges. OMWD is proposing changes that will affect charges on your water bill.

October 16, 2024 at 5:30 p.m.
Boardroom of OMWD's Administrative Office
1966 Olivenhain Road
Encinitas, California 92024

NOTICE OF PUBLIC HEARING

Regarding Proposed Increases to Olivenhain Municipal Water District Water Charges

OMWD is proposing changes that will affect charges on your water bill.

Olivenhain Municipal Water District (“OMWD”) will conduct a public hearing on October 16, 2024, at 5:30 p.m., in the Boardroom of OMWD’s administrative office, located at 1966 Olivenhain Road, Encinitas, California 92024. The purpose of the hearing is to receive public comment regarding OMWD staff’s proposal to adopt increases to OMWD’s water service charges and other water charges (collectively, “Water Charges”) beginning on January 1, 2025, and an ordinance that would authorize OMWD to pass through to customers certain increases in purchased water wholesale costs, inflationary costs, and other costs as described in this notice.

For Zoom Participation:

www.zoom.us/join
Meeting ID: 865 5633 4158
Passcode: 257024

For Zoom Call-in Only:

Call: (669) 900-9128
Meeting ID: 865 5633 4158
Passcode: 257024

The public hearing may continue in person even if Zoom access is disrupted or unavailable.

You are receiving this notice in compliance with Proposition 218, which requires OMWD to inform property owners and water customers that OMWD is proposing changes to its Water Charges that will affect your water bill.

This notice includes information about 1) the water system, 2) reasons for the proposed increases, 3) basis upon which the proposed Water Charges are calculated, 4) the proposed Water Charges, 5) pass-through increases, and 6) procedures for protesting the proposed Water Charges.

The basis for allocating costs and calculating the proposed increases to OMWD’s Water Charges shown and described in this notice is a comprehensive cost of service water rate study (“Water Rate Study Report”) conducted in 2024 by an independent financial consulting firm. A copy of OMWD’s Water Rate Study Report is available at www.olivenhain.com/rates or at our administrative office.

WATER SYSTEM

OMWD provides water services to approximately 87,000 customers in portions of Encinitas, Carlsbad, Solana Beach, Rancho Santa Fe, San Marcos, Elfin Forest, 4S Ranch, San Diego and the Olivenhain Valley. OMWD’s water service area spans about 31,100 acres. OMWD owns and operates two water treatment plants, the David McCollom Water Treatment Plant and the 4S Ranch Water Reclamation Facility. Water is delivered from OMWD’s water treatment plants to approximately 29,000 connections through approximately 500 miles of potable and recycled pipes, 10 pump stations, and 17 storage reservoirs.

OMWD purchases all of its potable water supply from San Diego County Water Authority (“SDCWA”). SDCWA in turn purchases a substantial portion of its water supplies from the Metropolitan Water District of Southern California (“MWD”). MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and the Sacramento-San Joaquin Delta via the California Aqueduct. Water from SDCWA is treated at OMWD’s David C. McCollom Water Treatment Plant and distributed to OMWD customers to meet their potable water demand.

The 4S Ranch Water Reclamation Facility produces recycled water to meet irrigation demand in a portion of OMWD’s recycled water system. OMWD also purchases recycled water from the following public agencies: Vallecitos Water District, San Elijo Joint Powers Authority, Rancho Santa Fe Community Services District, and City of San Diego (collectively referred to as “Recycled Water Wholesalers”) to meet OMWD customers’ recycled water demand.

REASONS FOR THE PROPOSED INCREASE

OMWD is committed to providing high-quality and professional water services to its customers while meeting or exceeding all regulatory requirements in a cost-effective and environmentally responsive manner. OMWD charges its customers for these services. Revenues collected from Water Charges are used to fund safe and reliable water service. The costs include purchasing water, operating and maintaining the water system, reinvesting in water system infrastructure, and paying off debt used to finance the David C. McCollom Water Treatment Plant.

The proposed increases to Water Charges are necessary to pay for higher purchased water wholesale costs imposed on OMWD by SDCWA and by Recycled Water Wholesalers and to pay for cost increases to OMWD's water operations, maintenance, and capital infrastructure resulting from inflation.

Purchased Water Wholesale Costs

The potable water wholesalers from which OMWD receives water, MWD and SDCWA, have both recently implemented dramatic increases in their water rates. While OMWD continues to keep the costs of its water operations as low as possible, purchased water wholesale costs are external and non-controllable. Purchased water wholesale costs imposed on OMWD by SDCWA and by Recycled Water Wholesalers (collectively, "Purchased Water Wholesale Costs") make up approximately 60% of OMWD's water operating costs.

Purchased Water Wholesale Costs could increase by as much as 39% over the next five years starting on January 1, 2025. Absorbing these significant increases in Purchased Water Wholesale Costs would negatively impact OMWD's financial stability. Therefore, to avoid these impacts, OMWD is proposing to pass through to customers increases in the Purchased Water Wholesale Costs as a part of the proposed Water Charges.

Rate Reimbursement Credit

OMWD used funds available in its reserves to partially offset increases in purchased water wholesale costs from SDCWA. A rate relief program was approved by OMWD's Board of Directors in 2021. The resulting credit to customers (referred to as "Rate Reimbursement Credit") is a result of money refunded from lawsuits filed by SDCWA that successfully challenged the legality of certain MWD rates and charges, and it helps to offset increases in purchased water wholesale costs from SDCWA.

Inflation

OMWD has been able to control cost increases in its water operations, maintenance, and infrastructure needs through re-evaluation of internal business processes and optimal utilization of its assets for cost savings. OMWD also received grant funds to complete some of its capital infrastructure program, which has helped offset increases in costs that resulted from higher inflation and post-pandemic supply chain issues. However, costs have risen more than 18% due to inflation from January 2021 to June 2024 based on changes in the San Diego-Carlsbad Consumer Price Index for All Urban Customers ("CPI").

OMWD is proposing to increase Water Charges for the next five years to keep pace with inflation in order to operate and maintain its water operations and to replace its aging water infrastructure; many parts of OMWD's Water System are over 50 years old. OMWD needs to continue maintaining and upgrading its water system to minimize water service interruptions. Therefore, OMWD is proposing to pass through to customers inflationary adjustments based on CPI as a part of the proposed increases to its Water Charges.

BASIS UPON WHICH THE PROPOSED WATER CHARGES ARE CALCULATED

OMWD provides both potable (i.e. treated) water and recycled water service. The proposed rate structure for OMWD's Water Charges has seven customer classes: (1) Domestic (single-family and multi-family residential); (2) Agricultural; (3) Permanent Special Agriculture Water Rate ("PSAWR"); (4) Commercial; (5) Irrigation; (6) Construction; and (7) Recycled Water.

The rate structure for all customer classes consists of (1) a volumetric charge known as the Water Consumption Charge, and (2) fixed monthly service charges consisting of the System Access Charge, SDCWA Infrastructure Access Charge, and Fire Meter Charge. OMWD bills monthly for water service.

The basis used to calculate all components of the proposed Water Charges included in this notice are structured to proportionally allocate the costs of providing water service to all customer classes and tiers based on their respective proportion of usage and burden on the water system. The Water Rate Study Report describes the methodology used in calculating the proposed rates, adjustments, and increases to OMWD's Water Charges shown and described in this notice. The Rate Study Report is available at www.olivenhain.com/rates or at our administrative office.

Water Consumption Charge

OMWD assesses a Water Consumption Charge on each unit of water delivered each month. One unit of water equals one hundred (100) cubic feet (HCF) or 748 gallons. Volumetric water rate structures vary by customer class. Domestic customers

are subject to a four-tier volumetric rate structure, while irrigation customers are subject to a two-tier volumetric rate structure. Agricultural, commercial, construction, and recycled water customers are subject to distinct uniform rates.

The Water Consumption Charge for potable water is calculated based on the cost of providing potable water service to each customer and customer class, including the costs of treating water and purchasing water from SDCWA and MWD, and it recovers a portion of OMWD’s fixed costs.

The Water Consumption Charge assessed to recycled water customers is calculated based on the cost of providing recycled water service to recycled water customers, including the costs of treating at 4S Ranch Water Reclamation Facility and purchasing recycled water from the Recycled Water Wholesalers, and it recovers a portion of OMWD’s fixed costs.

System Access Charge

The System Access Charge is a fixed monthly charge that varies by water meter size and is assessed per water meter, potable and recycled, to recover a portion of OMWD’s costs. These costs include, among others, meter reading, billing and collections, customer service, water facilities repairs and maintenance, and certain other costs imposed on OMWD by SDCWA and MWD.

SDCWA Infrastructure Access Charge

All meters, excluding construction, fire, and recycled water meters are subject to a monthly SDCWA Infrastructure Access Charge which varies by water meter size. The SDCWA Infrastructure Access Charge is assessed by SDCWA to recover a portion of costs associated with the construction of county-wide water infrastructure projects. The SDCWA Infrastructure Access Charge is a monthly fixed water meter charge that is passed through by OMWD directly to its customers.

Fire Meter Charge

For customers with a dedicated fire line, the Fire Meter Charge is a monthly fixed charge assessed per meter to recover their proportionate share of OMWD’s costs attributable to the system’s fire flow demand. It varies by water meter size on certain properties as a condition of extending or initiating water service by (1) the installation of a fire suppression system, and (2) upon the request of the property owner for the delivery of water to the property for the purpose of fire service protection.

Demand Reductions Rates for the Water Consumption Charge

Fluctuating availability of water resulting from drought, water supply emergencies, or other reasons will cause OMWD to experience decreased water sales, and therefore, less water revenue. To help mitigate future losses in revenue from reduced water sales and to ensure that OMWD is able to continue to provide and deliver safe drinking water to its customers, OMWD is proposing to authorize adjustments (“Demand Reduction Rates”) to the potable Water Consumption Charge that would only be implemented by OMWD’s Board of Directors’ action under the terms of OMWD’s Water Demand Reduction Condition Ordinance.

OMWD will implement Demand Reduction Rates for the potable Water Consumption Charge, as necessary, depending on the level of potable water use cutbacks, to ensure that OMWD is able to provide safe, reliable drinking water to its customers while meeting or exceeding regulatory requirements and recovering sufficient revenues to meet its expenses, including financial obligations.

OMWD’s Water Rate Study Report considered the effects of decreased water sales and developed rates that may be implemented so that OMWD could still maintain safe and reliable water service during decreased sales during the next five years from January 1, 2025, through December 31, 2029. In the event that OMWD activates its Demand Reduction Rates, OMWD will notify its customers in advance of implementation.

The table to the right shows the proposed maximum increases that could be implemented by OMWD during various levels of mandatory reductions in water usage and added to the potable Water Consumption Charge. Water Demand Reduction Rates for reductions in usage that are in between those shown to the right may be prorated.

Demand Reduction Rate Adjustments - \$/HCF For Potable Water Commodity Charges	
Demand Reduction Levels	Increase in Commodity Charges
10%	\$0.30
20%	\$0.68
30%	\$1.12

PROPOSED WATER SERVICE CHARGES

The proposed maximum Water Charges beginning with January 1, 2025 water consumption for potable water customers and recycled water customers are set forth in the tables below:

CUSTOMER TYPE	CONSUMPTION CHARGE BASE RATES - \$/HCF		DEMAND REDUCTION RATES (6)		
			10% DEMAND REDUCTION - \$/HCF	20% DEMAND REDUCTION - \$/HCF	30% DEMAND REDUCTION - \$/HCF
	Current (2)(3)	Proposed 1/1/2025 (5)	Proposed 1/1/2025 (5)	Proposed 1/1/2025 (5)	Proposed 1/1/2025 (5)
Potable: Domestic					
Tier 1: 0-6 Units (1)	\$4.24	\$4.43	\$4.73	\$5.11	\$5.55
Tier 2: 7-23 Units	\$6.14	\$6.47	\$6.77	\$7.15	\$7.59
Tier 3: 24-80 Units	\$6.85	\$7.25	\$7.55	\$7.93	\$8.37
Tier 4: 80+ Units	\$8.14	\$8.20	\$8.50	\$8.88	\$9.32
Agricultural (4)	\$6.75	\$6.90	\$7.20	\$7.58	\$8.02
Combined Agricultural/Domestic					
First 23 Units per month: Follow Domestic rate structure.					
Over 23 Units per month: Follow Agricultural rate structure.					
Commercial Irrigation	\$5.78	\$6.14	\$6.44	\$6.82	\$7.26
Tier 1	\$6.50	\$6.91	\$7.21	\$7.59	\$8.03
Tier 2	\$6.94	\$7.80	\$8.10	\$8.48	\$8.92
Rate Reimbursement Credit (RRC) (7)	(\$0.11)	(\$0.22)	(\$0.22)	(\$0.22)	(\$0.22)
Construction	\$8.21	\$8.60	\$8.90	\$9.28	\$9.72
Recycled: Recycled Water	\$4.29	\$4.68	\$4.68	\$4.68	\$4.68

OMWD System Access Charge (\$/Meter Size)		
Meter Size	Current (2)	Proposed 1/1/2025 (5)
5/8"	\$34.25	\$37.16
3/4" (*)	\$44.79	\$48.53
1"	\$76.41	\$82.64
1-1/2"	\$118.54	\$128.11
2"	\$185.30	\$200.11
2-1/2"	\$336.33	\$363.05
3"	\$367.94	\$397.16
4"	\$610.30	\$658.63
6"	\$1,274.14	\$1,374.83
8"	\$2,292.73	\$2,473.76

SDCWA Infrastructure Access Charge (\$/Meter Size)		
Meter Size	Current (2)	Proposed 1/1/2025 (5)
5/8"	\$4.41	\$4.55
3/4" (*)	\$4.41	\$4.55
1"	\$8.39	\$8.65
1-1/2"	\$13.70	\$14.11
2"	\$22.09	\$22.75
2-1/2"	\$41.10	\$42.32
3"	\$45.08	\$46.41
4"	\$75.58	\$77.81
6"	\$159.10	\$163.80
8"	\$287.29	\$295.75

OMWD Fire Meter Charge (\$/Meter Size)						
Meter Size	Current (2)	Proposed 1/1/2025 (5)	Proposed 1/1/2026	Proposed 1/1/2027	Proposed 3/1/2028	Proposed 3/1/2029
5/8"	\$5.85	\$6.13	\$6.50	\$6.89	\$7.24	\$7.53
3/4" (*)	\$5.85	\$6.13	\$6.50	\$6.89	\$7.24	\$7.53
1"	\$6.57	\$6.87	\$7.29	\$7.73	\$8.12	\$8.45
1-1/2"	\$7.54	\$7.84	\$8.32	\$8.82	\$9.27	\$9.65
2"	\$9.08	\$9.39	\$9.96	\$10.56	\$11.09	\$11.54
2-1/2"	\$12.55	\$12.89	\$13.67	\$14.50	\$15.23	\$15.84
3"	\$13.27	\$13.62	\$14.44	\$15.31	\$16.08	\$16.73
4"	\$18.85	\$19.24	\$20.40	\$21.63	\$22.72	\$23.63
6"	\$34.13	\$34.63	\$36.71	\$38.92	\$40.87	\$42.51
8"	\$57.56	\$58.23	\$61.73	\$65.44	\$68.72	\$71.47

Irrigation Unit Allotments		
Tier 1 Allotment / Based upon water use by meter size		
Meter Size	Winter (Nov 1-Apr 30)	Summer (May 1-Oct 31)
5/8"	10	15
3/4" (*)	20	30
1"	35	50
1-1/2"	50	110
2"	100	200
3"	200	500
4"	600	3500
6"	3100	11800
8"	5600	21300

Notes to the Rate Table

* Typical residential meter size

- (1) One (1) unit of water is equal to one hundred cubic feet (HCF) or 748 gallons.
- (2) These rates and charges are currently used to calculate OMWD's monthly water bills in 2024.
- (3) Domestic Tier 2 rate currently applies to consumption between 7 and 23 units. Domestic Tier 3 rate currently applies to consumption between 24 units and 80 units. For combined Agricultural/Domestic, Domestic rate structure currently applies to the first 23 units. Over 23 units per month follows Agricultural rate structure. For Irrigation customers, all monthly water usage in excess of Tier 1 allotment shown in the Irrigation Unit Allotments table is charged at the Irrigation Tier 2 rate.
- (4) The Agricultural water rate is available only to those who meet the program criteria. Visit www.olivenhain.com/ag for details.
- (5) The proposed Water Consumption Charges and fixed monthly service fees, if approved, will be effective beginning on January 1, 2025.

- (6) Demand Reduction Rates would only be implemented by OMWD’s Board of Directors’ action under the terms of OMWD’s Water Demand Reduction Condition Ordinance.
- (7) Rate Reimbursement Credit (RRC) is a temporary rate relief program approved by OMWD’s Board of Directors to reduce the impact of increased SDCWA Purchased Water Wholesale costs on OMWD customer water bills.

Below are examples of the bill impact from the Proposed Water Service Charges to be effective January 1, 2025 for Domestic customers.

Low Residential Water Bill Based on 6 HCF per Month - 3/4" Meter 1 unit=1 HCF			Average Residential Water Bill Based on 23 HCF per Month - 3/4" Meter 1 unit=1 HCF		
Water Service Charges	Current	Proposed 1/1/2025	Water Serviced Charges	Current	Proposed 1/1/2025
Base Rates			Base Rates		
Tier 1 Water	\$25.44	\$26.58	Tier 1 Water	\$25.44	\$26.58
SDCWA Infrastructure Access Charge	\$4.41	\$4.55	Tier 2 Water	\$104.38	\$109.99
System Access Charge	\$44.79	\$48.53	SDCWA Infrastructure Access Charge	\$4.41	\$4.55
Rate Reimbursement Credit (RRC)	(\$0.66)	(\$1.32)	System Access Charge	\$44.79	\$48.53
Monthly Total	\$73.98	\$78.34	Rate Reimbursement Credit (RRC)	(\$2.53)	(\$5.06)
			Monthly Total	\$176.49	\$184.59

Customers that wish to determine the impact to their monthly bill statement of the proposed rates, increases, and adjustments may visit www.olivenhain.com/estimator for an estimate.

PASS-THROUGH INCREASES

To avoid operational deficits, depletion of reserves, and inability to address water capital infrastructure needs for the next five years, OMWD is proposing to adopt an ordinance that would authorize OMWD, commencing January 1, 2025 and at any time through and including December 31, 2029, to automatically pass through to customers certain cost increases experienced by OMWD (“Pass-Through Increases”). The Pass-Through Increases include: increases in purchased water wholesale charges from SDCWA, and any other purchased water wholesale water charge increases imposed on OMWD, including by Recycled Water Wholesalers (collectively referred to as “Purchased Water Wholesale Pass-Through”); increases imposed by SDCWA to the SDCWA Infrastructure Access Charge; inflationary cost increases based on June end to June end percent change in CPI (“Inflationary Pass-Through”).

Any future increases in the SDCWA Infrastructure Access Charge will only impact the SDCWA Infrastructure Access Charge. Any Purchased Water Wholesale Pass-Through and any Inflationary Pass-Through will impact the OMWD Water Consumption Charges and System Access Charge.

If approved by the Board of Directors, Pass-Through Increases will be automatically implemented annually after giving notice to customers and be effective for the five-year period commencing January 1, 2025, through December 31, 2029. All Pass-Through Increases shall not exceed 12% per year, and in no event shall any Pass-Through Increases result in rates exceeding OMWD’s cost of providing water services to its customers.

Prior to implementing any Pass-Through Increases, OMWD will provide written notice of proposed changes to customers not less than 30 days prior to the effective date of the Pass-Through Increases.

PROTESTING THE PROPOSED WATER CHARGES

Any property owner of a parcel upon which the water service charges are proposed for imposition or any tenant directly liable for the payment of water service charges (i.e., a water customer who is not a property owner) may submit a written protest to the water rates and rate structure shown and described in this notice; provided, however, only one protest will be counted per identified parcel subject to the water rates. To be used in determining whether there is a majority protest, each protest must: (1) be in writing; (2) state that the identified property owner or tenant is opposed to the proposed water rate adjustments and pass-through increases; (3) provide the location of the identified parcel for which the protest is submitted (by assessor's parcel number or water service address); and (4) include the printed full name and signature of the property owner or tenant submitting the protest. Written protests may be submitted by mail or in person to the Board Secretary at 1966 Olivenhain Road, Encinitas, CA 92024, or at the public hearing on October 16, 2024, so long as they are received by the Board Secretary prior to the close of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a valid written protest. Please indicate "Attn: Rate Hearing" on the outside of any envelope mailed to OMWD.

The Board of Directors will accept and consider all written protests and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as the written protests to be used in determining whether there is a majority protest. At the conclusion of the public hearing, the Board of Directors will consider adoption of the proposed rates and rate structure. If written protests against the proposed water rates and rate structure included in this notice are not presented by owners or tenants of a majority of the identified parcels subject to the water service charges, the Board of Directors will be authorized to adopt the rates. If approved, the Board of Directors will be able to impose the rates, which may include Pass-Through Increases and the Demand Reduction Rates described in this notice, for a five-year period commencing January 1, 2025, through December 31, 2029.

California law (Government Code section 53759) provides a 120-day statute of limitations for judicially challenging any new, increased, or extended fee or charge such as these rates.