

~~ NOTICE OF PUBLIC HEARING ~~

PROPOSED INCREASE IN WATER RATES AND RELATED CHARGES

Rainbow Municipal Water District will hold a public hearing on April 26, 2011 at 1:00 p.m. in the Board Meeting Room, 3707 Old Highway 395, Fallbrook, California in compliance with article XIID, Section 6(a) of the California Constitution prior to the proposed adoption of water rates or service charges. District staff and the Finance Committee have recommended specific increases in water rates and related charges. The District Board of Directors will consider adoption of those rates and charges after receiving public input at the public hearing on April 26th.

**THE PROPOSED WATER RATES AND CHARGES
WOULD BE EFFECTIVE FOR THE BILLING CYCLES
BEGINNING
JUNE 1, 2011 UNLESS NOTED OTHERWISE.**

WATER RATES (COMMODITY CHARGE)

There are no proposed changes to the water rates.

OPERATIONS & MAINTENANCE METER CHARGES

There are no proposed changes to the Operation and Maintenance Meter Charges.

RESERVOIR UPGRADE CHARGES

The District proposed the establishment of a monthly charge of \$14.79 per meter for the purpose of funding reservoir upgrades mandated by the State of California and the Federal Environmental Protection Agency. The Reservoir Upgrade Charge will only be used to fund the planning, design, construction and other related costs to bring our uncovered drinking water reservoirs into compliance with current health standards. This Reservoir Upgrade Charge will be assessed on all meters within the District.

LINE Q3 REPAIRS COMPLETED

In January water once again began to flow across the San Luis Rey River. As you may recall in December 2009 Line Q3—the main transmission line under the river—ruptured 30 feet below ground in an environmentally sensitive area. The location of the break required specialized construction to replace the damaged line. The old pipeline was cleaned out and a new plastic line was pulled through the old pipe and then was connected on each side of the river.

District staff and our contractor had to work through myriad technical and environmental complications, including the need to construct temporary soundproof walls so we wouldn't disturb adjacent nesting birds. The completed project cost about \$435,000.

The District's Assistant Engineer, Sherry Rebueno, headed up the project. According to Sherry, "This was a tough project because we had to deal with groundwater as well as environmental and technical issues, but thanks to hard work by our staff, and with cooperation from regulatory agencies we got the job done."

WATER AUTHORITY DEFERS 11 PROJECTS TO HELP MANAGE RATES

As a result of decreased water sales brought on by California's prolonged drought, the San Diego County Water Authority (SDCWA) Board of Directors recently approved deferring the construction of 11 major infrastructure projects to July 2014 or later. The SDCWA board has been reviewing cost-cutting and workforce management efforts to address the revenue impacts caused by declining water sales and minimize impacts to rates.

This recent action to defer construction postpones \$82 million in costs and will help moderate Water Authority rate increases in 2012 and 2013.

**RAINBOW
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WATER
DISTRICT**

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**ANOTHER MILESTONE
ACHIEVED**

Work to bring the Morro Reservoir up to current Safe Drinking Water Act standards got underway with a project to replace the old overflow line. This is the first phase of the project to line and cover the 140-million gallon reservoir.

In early February staff will isolate the reservoir from service and residents in the Morro Zone will be supplied with water that is fed through a series of pressure regulating valves. Once that operation has been established the reservoir will be drained and the second phase of the project—installing the liner and cover—will begin. The total project will take about a year to complete.

The estimated project cost is about \$8.4 million; some of the money to fund the work will come from our Capital Projects Reserves with the rest being funded by a proposed monthly Reservoir Upgrade Charge. This project is mandated by new regulations established by the Federal EPA and California Department of Public Health.

Once the reservoir is returned to service we will have brought three of our four uncovered drinking water reservoirs into compliance with the new requirements. The North and Northside reservoirs were completed in 2009 and 2010.

**CAPITAL REPLACEMENT PROGRAM
AD HOC COMMITTEE**

As the District wraps up the State mandated reservoir projects we are turning our eyes to the remainder of our infrastructure. During their February meetings each committee chose two members to serve on an ad-hoc committee to discuss future CIP goals and budgets. The ad hoc committee will meet to discuss the District's existing infrastructure and develop a long-term replacement goal.

The ad hoc committee's efforts will be put to good use immediately during the 2011/12 budget process as the District prepares its five-year Capital Replacement Program (CRP). The five year look ahead will help ensure that the District's customers will continue to receive high quality water at the lowest cost possible.

WATER SUPPLY UPDATE

The California Department of Water Resources (DWR) has released its January readings on the water content of the snowpack in California mountains. So far the news is promising, but water supply experts are cautiously optimistic. Significant storms in October, November and December brought the snowpack water content at 78 percent of the April 1 seasonal average; that compares to only 55 percent this time last year. That's the good news.

Unfortunately, January only saw about 13 percent of its normal precipitation, and some weather experts suggest we are just now seeing the effects of a La Nina cycle, which could bring drier weather to the region.

Currently the DWR is predicting they can supply about 60 percent of the deliveries requested through the State Water Project (SWP) as compared to only 50 percent last year. Most of the major reservoirs on the SWP are at or above average storage levels for this time of year. However, reservoirs on the Colorado River system remain critically low.

In January the improving water supply outlook resulted in the Rainbow Board modifying our drought ordinance to allow the District to move from Drought Level 2 back to Drought Level 1 and voluntary reductions. Now that the ordinance has been modified the Board will consider taking action to move to Drought Level 1 at the February board meeting. Remember, that change would only apply to users in the domestic rate group; customers in the IAWP and SAWR have contractual arrangements with the SDCWA and MWD that Rainbow cannot modify. However, if you are in one of those user rate groups and need additional allocations of water please contact our Customer Service Department to see if we can help.