



**NOTICE OF PUBLIC HEARING
CONCERNING PROPOSED
WATER RATE INCREASES
DECEMBER 15, 2015 AT 1:00 pm**

NOTICE IS HEREBY GIVEN THAT the Board of Directors of Rainbow Municipal Water District (the “District”) will conduct a public hearing on December 15, 2015, at 1:00 p.m. in the Boardroom of the District Headquarters at 3707 Old Highway 395, Fallbrook, CA 92028, to consider adopting increases in the rates for its water service fees effective January 1, 2016 and an ordinance that would authorize the District to pass through increased costs in Purchased Wholesale Water, increases in the cost of energy necessary to move water, increases to the District’s Cost of Operations and Maintenance and Capital Facilities, and any reduction in the allocation of ad valorem property tax revenues by the State of California (“Ad Valorem Pass Through”) pursuant to Proposition 1A. Over the past five years (2011-2015) since the District last adjusted its water rates and charges, these rates and charges have been subject to, and reflect, an adjustment to pass through charges by the District’s wholesaler supplier, the San Diego County Water Authority, as well as inflationary adjustments based on RMWD’s internal operating costs.

REASONS FOR THE PROPOSED RATE INCREASES

The District’s Mission Statement is to provide our customers reliable, high quality water and water reclamation services in a fiscally sustainable manner. While the District continually strives for cost reductions and efficient utilization of the assets it holds, it also needs to keep pace with inflation and other increases in costs, including, among others, the cost to purchase water and to comply with regulations. The District purchases its water from the 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 Northern California via the California Aqueduct. 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. The drought has impacted the cost of imported water the District purchases from SDCWA and the availability of local water supplies. On January 1, 2016, SDCWA will be increasing the cost of wholesale water that it delivers to the District including a new Supply Reliability Charge. In addition to increases in the costs of wholesale water, the District anticipates there will be future increases in the costs of operating and maintaining the water system. Revenues collected from rates and charges are used to cover the cost of purchased water from SDCWA and costs to operate and maintain the water system and to provide ongoing repairs, replacements, and upgrades to the water system. As described below, the District is also proposing to adjust rates annually for a five-year period for any increases in such costs.

Components of RMWD Water Bills



HOW THE WATER RATES ARE CALCULATED

The District's rate structure for monthly water service fees is comprised of four components: (1) a SDCWA Fixed Charge ("SDCWA Fixed"), which is a fixed monthly charge established by SDCWA on the basis of the meter size of the parcel of property receiving water service; (2) a Rainbow Municipal Water District Operations and Maintenance Charge ("RMWD O&M Charge"), which also is a fixed monthly charge established on the basis of the meter size of the parcel of property receiving water service; (3) a pumping charge that consists of both a fixed monthly charge and variable charges based on the pump zone of the property; and (4) a Commodity Charge, which is determined on the basis of the amount of water served to a parcel of property in units of water (one unit of water is equivalent to approximately 748 gallons of water).

The SDCWA Fixed Charge is imposed by SDCWA on the District for the purpose of recovering certain SDCWA infrastructure costs. The SDCWA Fixed Charge is based on the size of the customer's meter and is imposed on the District by SDCWA and passed through to our customers. This fee also contains the new Supply Reliability Charge.

The RMWD O&MC is calculated on the basis of recovering certain fixed costs of the District to operate, maintain, and deliver water to its customers. These costs include, among others, meter reading, billings and collections, customer service, water facilities repairs and maintenance, meter reading, and certain other costs imposed on the District by SDCWA.

The Commodity Charge is a variable charge and generally consists of tiers which impose different rates per unit of water as the level of consumption increases. The rates for the variable Commodity Charge are based on the number of units of water delivered to a property and the water customer classification. These rates are calculated on the basis of the cost of providing water and infrastructure, purchasing water from SDCWA, and managing the District's water resources. The proposed rate increases include pre-defined Demand Reduction Rates to offset loss of revenue should water sales fall below current forecasts.

The rates for all four components of the District's water service fees are structured in such a way as to proportionately allocate the costs of providing water to each customer class and to manage the District's water resources.

The current and proposed rate increases are described in the tables below. If approved, the proposed rate increases will be effective on and after January 1, 2016. In addition to the water service charges described to the right, the District also imposes a fixed monthly fire meter service fee on certain properties as a condition of extending or initiating water service by (1) the installation of a private fire suppression system, and (2) upon the request of the consumer or property owner for the delivery of water to the property for the purpose of fire service protection.

To avoid operational deficits, depletion of reserves, an inability to address infrastructure and water quality improvements, and to continue to provide a safe, reliable water supply, the District is also proposing to pass through to its customers: (1) any increases in the rates of the SDCWA Fixed Charges imposed on the District by SDCWA (an "SDCWA Fixed Pass Through"); (2) any future charges and any rate increases to any other existing charges, including imported water charges, that are imposed on the District by SDCWA (a "SDCWA Pass Through"); (3) any increases in energy costs imposed on the District by San Diego Gas and Electric ("an Energy Pass Through"); (4) future increases in the costs of operating and maintaining the water system, including capital facilities, based on an annual inflationary adjustment in the San Diego Consumer Price Index, All Items, 1982-1984=100 for All Urban Consumers ("CPI-U") determined by the United States Department of Labor Statistics annually for the previous calendar year (an "Inflationary Pass Through"); and (5) any reduction in the allocation of ad valorem property tax revenues by the State of California ("Ad Valorem Pass Through") pursuant to Proposition 1A. Proposition 1A was approved by the voters in November 2004, with the intent of protecting the property tax revenues of local governments. Under Proposition 1A, the State of California is allowed to borrow local government property taxes on the condition that they will be paid back within 3 years. The foregoing are collectively referred to in this notice as "Pass Through Increases."

Any SDCWA Fixed Pass Through will only impact the rates of the SDCWA Fixed Charges. Any SDCWA Pass Through, any Inflationary Pass Through, Energy Pass Through, and any Ad Valorem Pass Through will impact the rates of the Meter Charge, Commodity Charge, and the Fire Meter Service Charge. If approved by the Board of Directors, the District may annually implement the Pass Through Increases for a five-year period commencing January 1, 2016, through December 31, 2021, provided, however, that (1) any increase to the rates described above as a result of any SDCWA Pass Through, Energy Pass Through, Inflationary Pass Through, or Ad Valorem Pass Through shall not exceed 15% per year; and (2) in no event shall such rates be increased by more than the cost of providing water service.

Proposed RMWD Fixed O&M Charges

SFR, MFR, Commercial, and Institutional

Meter Size	Proposed		Difference (\$)	Difference (%)
	RMWD O&M Fixed Charge	Current RMWD O&M Charge		
5/8"	\$23.82	\$28.35	(\$4.53)	-16%
3/4"	\$23.82	\$35.45	(\$11.63)	-33%
1"	\$37.20	\$46.10	(\$8.90)	-19%
1-1/2"	\$70.64	\$70.90	(\$0.26)	0%
2"	\$110.78	\$124.05	(\$13.27)	-11%
3"	\$237.86	\$212.70	\$25.16	12%
4"	\$425.15	\$354.50	\$70.65	20%
6"	\$873.31	\$602.60	\$270.71	45%

Agriculture, TSAWR Domestic, and TSAWR Commercial

Meter Size	Proposed RMWD		Difference (\$)	Difference (%)
	AG O&M Fixed Charge	Current RMWD O&M Charge		
5/8"	\$43.26	\$28.35	\$14.91	53%
3/4"	\$43.26	\$35.45	\$7.81	22%
1"	\$69.59	\$46.10	\$23.49	51%
1-1/2"	\$135.44	\$70.90	\$64.54	91%
2"	\$214.45	\$124.05	\$90.40	73%
3"	\$464.64	\$212.70	\$251.94	118%
4"	\$833.36	\$354.50	\$478.86	135%
6"	\$1,715.63	\$602.60	\$1,113.03	185%

Proposed SDCWA Fixed Pass Through Charges

SFR, MFR, Commercial, Agriculture, Institutional

Meter Size	Pass-Through Fixed Charge		Difference (\$)	Difference (%)
	(applicable to all but TSAWR customers)	Current CWA Fixed (Non-TSAWR)		
5/8"	\$35.02	\$30.48	\$4.54	14.9%
3/4"	\$35.02	\$30.48	\$4.54	14.9%
1"	\$58.37	\$48.77	\$9.60	19.7%
1-1/2"	\$116.75	\$91.44	\$25.31	27.7%
2"	\$186.79	\$158.49	\$28.30	17.9%
3"	\$408.61	\$274.31	\$134.30	49.0%
4"	\$735.50	\$487.66	\$247.84	50.8%
6"	\$1,517.71	\$1,097.24	\$420.47	38.3%

Please note that certain Non-TSAWR residential and commercial customers are being reclassified as agricultural customers based on guidelines in regulations from the State Water Resources Control Board. This reclassification affects residential and commercial properties with over 1 acre of agricultural use under irrigation.

TSAWR Customers (TSAWR Domestic and TSAWR Commercial)

Meter Size	Pass-Through Fixed Charge		Current SDCWA Fixed	Difference TSAWR Dom (\$)	Difference TSAWR Dom (%)	Difference TSAWR Com (\$)	Difference TSAWR Com (%)
	(applicable to TSAWR)	Current SDCWA Fixed (TSAWR Dom)					
5/8"	\$17.05	30.48	16.17	-\$13.43	-44.1%	\$0.88	5.5%
3/4"	\$17.05	30.48	16.17	-\$13.43	-44.1%	\$0.88	5.5%
1"	\$28.42	48.77	25.87	-\$20.35	-41.7%	\$2.55	9.9%
1-1/2"	\$56.84	91.44	48.5	-\$34.60	-37.8%	\$8.34	17.2%
2"	\$90.94	91.44	84.07	-\$0.50	-0.5%	\$6.87	8.2%
3"	\$198.93	91.44	145.5	\$107.49	117.6%	\$53.43	36.7%
4"	\$358.08	91.44	258.66	\$266.64	291.6%	\$99.42	38.4%
6"	\$738.90	91.44	581.99	\$647.46	708.1%	\$156.91	27.0%

Your monthly bill is comprised of fixed fees from RMWD and SDCWA which are based on your meter size and account classification.
 SFR: Single Family Residential
 MFR: Multi-Family Residential
 TSAWR: Transitional Special Agricultural Rate

RMWD Proposed Pumping Charges

Fixed Pumping Charge

Pump Zone	Current Charge	Proposed Charge	Difference (\$)	Difference (%)
All	\$ 8.77	\$ 9.51	\$ 0.74	8.4%

Variable Pumping Charge (\$/Unit)

Pump Zone	Proposed		Difference (\$)	Difference (%)
	Current Charge	Rate (\$/Unit)		
Rainbow Heights	\$0.43	\$0.77	\$0.34	79%
ID U-1	\$0.27	\$0.48	\$0.21	78%
Vallecitos	\$0.15	\$0.27	\$0.12	80%
Northside	\$0.05	\$0.09	\$0.04	80%
Morro Tank	\$0.08	\$0.14	\$0.06	75%
Huntley	\$0.31	\$0.55	\$0.24	77%
Magee Tank	\$1.42	\$2.53	\$1.11	78%

Pump Charges apply to those customers who live at higher elevations that require the water to be pumped in order to provide service. Cost increases in this area are primarily due to increases in energy costs.

Important Notice: All rates and charges shown in these tables apply to the rate increases effective January 1, 2016. Additional rate changes will be made during the five year term of this rate setting notice. Rate changes will be made in accordance with the methodologies described in this notice.

Proposed Demand Reduction Rates

Customer Class	Proposed Rates (\$/hcf)	Current Rate	Difference (\$)	Difference (%)	Proposed Rates (15% Reduction)	Proposed Rates (25% Reduction)	Proposed Rates (30% Reduction)	Proposed Rates (35% Reduction)
						Proposed Rates (25% Reduction)	Proposed Rates (30% Reduction)	Proposed Rates (35% Reduction)
Single Family Residential					2.2%	4.8%	6.0%	7.6%
Tier 1 10	\$3.31	\$3.00	\$0.31	10%	\$3.39	\$3.47	\$3.51	\$3.57
Tier 2 26	\$3.48	\$3.15	\$0.33	10%	\$3.56	\$3.65	\$3.69	\$3.75
Tier 3 27+	\$3.81	\$3.15	\$0.66	21%	\$3.90	\$4.00	\$4.04	\$4.11
MFR	\$3.40	\$3.15	\$0.25	8%	\$3.48	\$3.57	\$3.61	\$3.66
Commercial	\$3.51	\$3.15	\$0.36	11%	\$3.59	\$3.68	\$3.72	\$3.78
Agriculture with Residence								
Tier 1 10	\$3.31	\$3.00	\$0.31	10%	\$3.39	\$3.47	\$3.51	\$3.57
Tier 2 26	\$3.48	\$3.15	\$0.33	10%	\$3.56	\$3.65	\$3.69	\$3.75
Tier 3 27+	\$3.24	\$3.15	\$0.09	3%	\$3.32	\$3.40	\$3.44	\$3.49
Agriculture	\$3.24	\$3.15	\$0.09	3%	\$3.32	\$3.40	\$3.44	\$3.49
TSAWR Domestic								
Tier 1 10	\$3.31	\$3.00	\$0.31	10%	\$3.39	\$3.47	\$3.51	\$3.57
Tier 2 26	\$3.48	\$3.15	\$0.33	10%	\$3.56	\$3.65	\$3.69	\$3.75
Tier 3 27+	\$2.77	\$2.83	-\$0.06	-2%	\$2.84	\$2.91	\$2.94	\$2.99
TSAWR Commercial	\$2.77	\$2.83	-\$0.06	-2%	\$2.84	\$2.91	\$2.94	\$2.99
Institutional	\$3.58	\$3.15	\$0.43	14%	\$3.66	\$3.76	\$3.80	\$3.86
Construction	\$4.30	\$3.15	\$1.15	37%	\$4.40	\$4.51	\$4.56	\$4.63

The proposed commodity rates include pre-defined Demand Reduction Rates which may be imposed by the RMWD Board should Demand fall below projections by the given amounts. Demand Reductions could be caused by State mandated cutbacks, conservation, wet weather, or a combination of these factors.

Please note that the Demand Reduction Rates may apply to future rate increases in proportion to the percentages listed at the top of each column. For example, if in a future year the demand reduction is 25% below the baseline demand, a 4.8% increase will be applied to all variable rates

Protest Provisions

Any property owner or any tenant directly responsible for the payment of water service fees may submit a written protest to the proposed water rate increases and Pass Through Increases, provided, however, only one protest will be counted per identified parcel. To be used in determining whether there is a majority protest as set forth below, each protest must: (1) be in writing; (2) state whether the protest is submitted in opposition to the water rate increases, and/or Pass Through Increases; (3) provide the location of the identified parcel (by assessor's parcel number or service address); and (4) include the name and signature of the person submitting the written protest. Written protests may be submitted by mail to: Rainbow Municipal Water District at 3707 Old Highway 395, Fallbrook, CA 92028. Written protests may also be submitted in person at the District's office, or at the public hearing (see date, time and location above). All written protests must be received prior to the conclusion of the public input portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a formal written protest. Please identify on the front of the envelope for any protest, whether mailed or submitted in person, that the enclosed letter is for the Public Hearing on the Proposed Rate Increases and Pass Through Increases.

The Board of Directors will consider all written protests timely submitted 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 determine whether to adopt the proposed water rate increases and Pass Through Increases described in this notice. If, after the close of the public hearing, written protests against the proposed rate increases and Pass Through Increases as outlined above are not presented by a majority of the owners of record and tenants directly responsible for the payment of water service fees for the identified parcels upon which the increases are proposed to be imposed, the Board of Directors will be authorized to impose the rate increases and Pass Through Increases.

If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact Rainbow Municipal Water District at 760-728-1178. A copy of the District's 2015 Potable Water Cost of Service Study Report will be available for review at www.rainbowmwd.com starting November 1, 2015.