



East Valley Water District

Notice of Public Hearing for Proposed Water and Sewer Rate Increases

Article XIID of the California Constitution requires the East Valley Water District (EVWD) to send notification of a proposed rate increase to all owners and tenants of real property within EVWD's service area who would be directly liable to pay for water and/or sewer service(s) to the property at least 45 days prior to a public hearing, at which adoption of the proposed rate increases will be considered. In accordance with those requirements, please be advised that EVWD is proposing an increase in its water and sewer service charges. This Notice identifies the amount of the proposed rate increases; the basis upon which the proposed increases were

calculated; the reason for the proposed rate increases; the date, time, and location of a public hearing on the proposed rate increases; and the manner in which all persons opposed to the proposed increases may object and/or file a written protest thereto. Consequently, please be advised that this document shall serve as formal notification to you that EVWD's Board of Directors will hold a Public Hearing on the proposed rate increases described herein on **Thursday, July 15, 2010, at 6 p.m., in the City of Highland Council Chambers located at 27215 E. Baseline Street, Highland, California.**

Summary of Findings

Why are utility rates increasing?

East Valley Water District (EVWD) is committed to its mission to provide safe, reliable water to its customers. EVWD customers are somewhat unique in Southern California, enjoying a water supply consisting almost entirely of local water. This means, unlike some agencies in the region, our customers are not subject to paying high transportation and delivery costs. However, despite our best efforts to keep costs down, EVWD's financial stability is tied to several factors beyond our control.

The proposed rates outlined in this notice are designed to collect the revenue needed to cover operating expenses and meet debt service obligations related to government-mandated capital improvement projects.

EVWD's basic operational costs have seen increases including rising electricity costs to operate wells and other facilities, rising chemical costs for treating water, increased maintenance and infrastructure costs and other labor-related costs. EVWD staff has responded with aggressive cost-cutting measures across the board and a strategic approach to securing grants

and affordable loans. For 2010 alone, EVWD was able to secure more than \$3 million in federal grant funding, distributed through the California State Department of Public Health.



Treatment Plant 134, a surface water treatment plant located at Highland Avenue near the 330 Freeway, is subject to new governmental regulations and must convert to a membrane micro-filtration facility by 2012.

EVWD is also eligible to receive \$8 million in 0% interest government loans and plans on utilizing \$18 million in tax-exempt financing. In 2011, EVWD expects an additional \$3 million in grant funding and \$15.6 million in 0% interest loans.

Governmental Regulations

Strict government regulation is another dominant factor affecting EVWD's future budget strategy. Changes in both state and federal mandates dictate how your local water must be collected, treated and distributed. The U.S. Environmental Protection Agency, for

example, recently adopted new drinking water standards, which mean more than \$18 million in upgrades to EVWD facilities. The projects necessary to comply with these new regulations are not only expensive, but require significant internal staff resources to build and operate, resulting in a large impact to EVWD's bottom line.

Responsible Fiscal Management

East Valley Water District's proposed water and sewer rate increases are consistent with the rate study performed by an independent professional consulting firm, HDR Engineering, Inc. That study took into account (1) expected increases in demand for EVWD's services, (2) infrastructure replacements and upgrades for the capital improvement projects discussed in this Notice, and (3) inflationary pressure on routine operating and administrative costs. Based upon all of the factors, elements, and calculations considered in that study, a rate increase in the amount set forth herein was recommended. Copies of the rate study may be viewed on EVWD's website, www.eastvalley.org, or at its administrative office.

As a public agency, EVWD receives no profit from its water and sewer rates and is obligated to charge its customers no more than the actual cost incurred for furnishing the services that EVWD provides. Standard expenses include operations and maintenance components, government compliance costs, and the development of capital improvement projects within EVWD's service area. EVWD collects no tax money, and customers pay only for the benefits and services they receive. Consequently, the new rate structure that is being proposed reflects the professional opinion of an independent engineering firm after incorporating cost of service with fiscal responsibility and sound water resource management.

Type of Water Rate	Current Water Rates	Proposed Water Rates		
		Oct. 1 2010	Oct. 1 2011	Oct. 1 2012
Total Fixed Monthly Charges				
5/8" Meter	\$10.45	\$11.54	\$12.58	\$13.71
3/4" Meter	\$10.45	\$11.54	\$12.58	\$13.71
1" Meter	\$14.63	\$17.56	\$19.14	\$20.87
1 1/2" Meter	\$18.81	\$32.49	\$35.41	\$38.60
2" Meter	\$30.30	\$74.47	\$81.17	\$88.48
3" Meter	\$114.94	\$137.40	\$149.77	\$163.25
4" Meter	\$146.29	\$227.30	\$247.76	\$270.06
6" Meter	\$219.44	\$452.06	\$492.74	\$537.09
8" Meter	\$303.04	\$721.76	\$786.72	\$857.52
Volume Charge				
Per hcf	\$1.35	\$1.49	\$1.62	\$1.77

Based on the rate analysis performed, the following table summarizes the proposed water rates. If approved, the rate change would phase-in annually in accordance with this schedule for the next three years beginning October 1, 2010.

Customer Classes	Proposed Sewer Rates*					
	Oct. 1, 2010		Oct. 1, 2011		Oct. 1, 2012	
	Fixed Month	Volume-Based	Fixed Month	Volume-Based	Fixed Month	Volume-Based
Flat-Rate Customers	(\$/acct./mo.)	(\$/hcf)	(\$/acct./mo.)	(\$/hcf)	(\$/acct./mo.)	(\$/hcf)
Single Family Residential	\$28.93	--	\$30.09	--	\$31.36	--
Volume-Based Customer						
Multiple Family Residential	\$5.28	\$1.41	\$5.58	\$1.45	\$5.90	\$1.50
School, Church	\$5.28	\$1.16	\$5.58	\$1.20	\$5.90	\$1.25
Hospital	\$5.28	\$1.41	\$5.58	\$1.45	\$5.90	\$1.50
Government	\$5.28	\$1.96	\$5.58	\$2.00	\$5.90	\$2.05
Auto Repair	\$5.28	\$1.76	\$5.58	\$1.80	\$5.90	\$1.85
Car Wash	\$5.28	\$1.76	\$5.58	\$1.80	\$5.90	\$1.85
Laundromat	\$5.28	\$1.76	\$5.58	\$1.80	\$5.90	\$1.85
Dry Cleaners	\$5.28	\$2.36	\$5.58	\$2.40	\$5.90	\$2.45
Offices, Motels	\$5.28	\$1.96	\$5.58	\$2.00	\$5.90	\$2.05
Retail	\$5.28	\$2.36	\$5.58	\$2.40	\$5.90	\$2.45
Hotel with Restaurant	\$5.28	\$2.46	\$5.58	\$2.50	\$5.90	\$2.55
Restaurant	\$5.28	\$2.46	\$5.58	\$2.50	\$5.90	\$2.55

* The rates above are for customers "West of Boulder Avenue."

"East of Boulder Avenue" rates include a \$2.00/mo surcharge for single-family residential customers and \$0.09/hcf for commercial customers.

Based on the rate analysis performed, the following table summarizes the proposed sewer rates. If approved, the rate change would phase-in annually in accordance with this schedule for the next three years beginning October 1, 2010.

Sewer Rates

Based on the adopted rate study, East Valley Water District will consider a modification to its sewer rates. EVWD currently combines its collection services with the City of San Bernardino's treatment rates. Effective October 1, 2010, the City's rates will increase by 9%. EVWD bills reflect a pass-through charge that automatically adjusts to the City's increased rates. EVWD is further required to collect sufficient revenues to cover the cost of operating its sewer collection system. Costs include electricity, supplies, maintenance and staff salaries. Revenue is also used to pay-off debt incurred in the process of building capital improvement projects. To keep-up with increased usage, EVWD plans to upgrade more than 2,600 feet of sewer main along Conejo Drive to allow better sewage flow without interruption.

Capital Improvement Projects

Protecting the Future of Your Water Supply

As its name suggests, capital improvement is an enhancement to your water system. East Valley Water District is committed to planning, designing and implementing the most cost-effective and efficient capital improvement projects, with the long-term goal of ensuring a reliable, high quality local water supply. EVWD's financial approach to capital improvement combines responsible fiscal decision making with an investment in smart infrastructure planning. EVWD has secured significant state and federal grant funding and pursued 0% interest loans as additional funding sources. While the projects are complex and require considerable

management, such investment directly benefits EVWD customers by providing new technologies in water quality testing and equipment maintenance, efficient water resource management and an overall highly-sustainable water system.

East Valley Water District evaluated the full scope of potential projects individually to determine top priorities to continue delivering reliable, high quality drinking water to its customers. EVWD plans to build and upgrade the following vital projects:



EVWD crews install 30-inch pipe along Sterling Avenue. The 6th Street Project will continue this pipeline an additional two miles to Plant 40.

6th Street Pipeline Project

(Continued from Sterling Pipeline Project)

Continuing a vital component of EVWD's infrastructure, more than two miles of 30-inch pipe will continue underground on 6th Street from Lankershim Street to Plant 40, located on 3rd Street east of Palm Avenue, to increase reliability throughout the service area.

Pipeline and Service Replacement Projects

EVWD is planning to replace more than 2,500 feet of old, substandard water mains along several streets within the district, including Live Oak Avenue, Bruce Street, Crest Street and Hill View Street. The project also will upgrade service lines and add several new fire hydrants along streets in the surrounding areas.

Conejo Sewer Main Replacement Project

More than 2,600 feet of 6-inch sewer main along Conejo Drive will be upgraded to a 10-inch pipeline. A larger main will allow better sewage flow without interruption.

New Booster at Plant 40

Plant 40 already treats for elements such as uranium and nitrates in groundwater. By building a new booster station at this facility, water can be more easily and quickly transferred from one pressure zone to another.

Plant 143 Blending and Air Reduction Facility

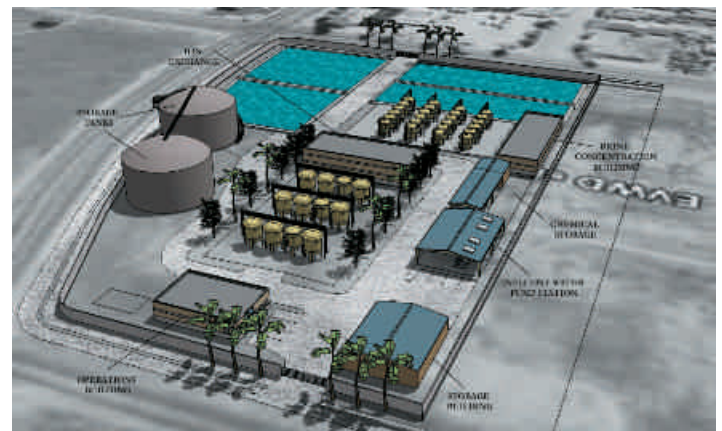
Plant 143 is currently a well that pumps groundwater into the distribution system. Improvements to this facility include a new reservoir that will blend water from four existing EVWD wells. A new booster station will pump water from the reservoir to the water distribution system then to the service pipes that lead to your home.

Treatment Plant 134 Expansion

EVWD is making improvements to Plant 134, a surface water treatment plant located at Highland Avenue near the 330 Freeway. The treatment technology must be upgraded to fulfill new governmental regulations. Improvements will convert the existing plant into a membrane micro-filtration facility and allow EVWD to double its capacity, currently at four million gallons a day.

Treatment Plant/Booster Station 150

EVWD plans to design and build a new treatment plant and booster station on the Southwest corner of 6th Street and Del Rosa Drive. The centralized location will allow EVWD flexibility in meeting current as well as unforeseen, future regulations especially relating to perchlorate and nitrates. The new treatment plant will also have boosters to transfer water to higher zones from two on-site reservoirs.



Rendering of Treatment Plant and Booster Station 150 planned for the Southwest corner of 6th Street and Del Rosa Drive.



3654 E. Highland Avenue, Suite 18
Highland, CA 92346
Post Office Box 3427
San Bernardino, CA 92413

PRSR STD
U.S. POSTAGE
PAID
SAN BERNARDINO, CA
PERMIT #1

How To Participate

If you have any questions or comments about the proposed rates or wish to protest you may:

Write - written protests may be mailed or delivered in-person to the East Valley Water District, Attention: Board Secretary, P.O. Box 3427, San Bernardino, CA 92413. Written protests must specify the rate or charge being protested and must include: your name, parcel number and/or service address, and your signature. Emailed protests will not be accepted. Please identify on the front of the envelope whether mailed or delivered in person and which fee you are protesting.

Attend the Public Hearing - written protests may also be submitted at the Public Hearing on **July 15, 2010 at 6 p.m. in the City of Highland Council Chambers, 27215 E. Baseline St., Highland, California.** Written protests must be received before the conclusion of the Public Hearing. You may address the Board; however, oral comments do not qualify as a formal protest unless accompanied by a written protest.

Call, Visit or Log-on - copies of the rate study, the proposed Ordinance and Resolutions, and further details concerning the reasons for the proposed rate increases and the basis upon which they were calculated are available for review at the EVWD office, by calling (909) 885-4900 or on our website: www.eastvalley.org.

Public Hearing Process - at the time of the Public Hearing, the Board of Directors will hear and consider all protests and objections. After the Public Hearing, if a majority of the property owners and tenants of real property directly liable for paying water and sewer bills for the affected parcels file written protests in opposition to the proposed rate increases, the increases will not be imposed. However, if a majority protest is not received, EVWD's Board of Directors may increase its water and sewer service rates in the manner described in this Notice. If adopted, the proposed rates would become effective October 1, 2010, but the increase would be phased-in annually over the next three years.