

***Purissima Hills
Water District***



February 19, 2008

Dear Customer/Record Property Owner:

The Board of Directors of the Purissima Hills Water District (District) will consider a proposed water unit rate increase for institutional customers. **The Board will vote on the proposed water unit rate increase after a public hearing scheduled for 6:00 p.m., on April 9, 2008.** The new water unit rate for institutional customers, if approved, will become effective April 10, 2008, and will replace the current rate, which has been in effect since 2004.

The purpose of this notice is to meet our obligation under Proposition 218 to notify you of the proposed rate increase, to explain the potential impact of the rate change on your water bill, and to explain why we need to increase the water unit rate for institutional customers.

Summary of Water Unit Rate Increase Proposal

The proposed increase for the water unit rate for institutional customers is as follows:

Current Water Unit Rate	Proposed New Water Unit Rate
\$2.95 per unit	\$3.75 per unit

On December 5, 2007, the District held a public hearing regarding proposed increases to numerous rates, fees, and charges, including the water unit rates for the District's residential and institutional customers. The Board considered implementing a tiered rate structure for institutional customers, instead of the single rate structure that has been in effect for many years. The District received a significant number of letters responding to the proposed water unit rates for institutional customers. At the conclusion of the December 5 public hearing, the Board adopted a resolution amending the District's Rate and Fee Schedule to increase the water unit rate for residential customers, but deferred action on adjusting the water unit rate for institutional customers pending further analysis.

After further analysis, the Board determined to keep the water unit rate for institutional customers as a single rate structure but to increase it based on the revenue requirements of the District.

How Will the New Rates Impact You?

The proposed increase in the water unit rate of 27% will result in an increase in the water usage charge for an institutional customer using 750 units from \$2,212 to \$2,812.

Why Do We Need a Rate Increase?

The District must cover its costs to continue providing high quality water to our customers. As a public agency, the District may not collect more revenue than is necessary to cover its costs to provide water services. Our costs have increased. Specifically:

- ◆ The San Francisco Public Utility Commission (SFPUC), which provides the District with 100% of its water, has increased the wholesale water rates by 18% since 2004.
- ◆ The Consumer Price Index for the Bay Area has increased over 9% since the District last raised its water unit rate for institutional customers in March 2004.
- ◆ The District has planned over \$1.3 million in capital improvement projects for this coming year to improve system reliability, and the cost of construction has increased steadily over the past several years. For example, the cost to install 8-inch water pipe has increased approximately 60% since 2004. The planned capital improvement projects are needed because several projects were deferred over the past few years after the State of California diverted \$626,000 from property tax revenue away from the District to address the State budget deficit.

The planned capital improvement projects include:

- Construct water supply interties with neighboring water suppliers for the provision of water in water shortage emergencies.
- Replace undersized and deteriorating water pipelines in critical areas.
- Coordinate with other water suppliers to investigate the development of supplemental water supplies to meet existing and future demands. The District currently exceeds its water supply assurance from the SFPUC by approximately 40%.
- Upgrade water storage and pumping facilities that are wearing out, inadequate to meet demands, or not in compliance with current regulations and seismic standards.

The basis for the proposed increase is set forth in the February 2008 Institutional Water Unit Rate Study Supplement to the October 2007 Water Rate Study, which is available at the District office.

What Can You Do to Reduce the Impact of the Rate Increase on Your Water Bill?

If you would like to minimize the impact of the new water rates on your water bill, you should begin now to take steps to reduce your water use. Because landscape irrigation is a major use of water in the summer, your landscape offers the greatest opportunity to save water. Watering efficiently, selecting low-water-use plants and reducing the amount of turf in your landscape are all steps you can take to reduce your water consumption this summer.

For more conservation ideas, please visit our web site at www.purissimawater.org or call our District office at (650) 948-1217.

**Public Hearing Scheduled for Proposed Increase
in Water Unit Rates for Institutional Customers**

The Board of Directors will consider the water unit rate for institutional customers proposal at a public hearing scheduled for 6:00 p.m., on April 9, 2008, at the Purissima Hills Water District office.

You have the right to protest the proposed water unit rate. If you do, you must submit your protest in writing, even if you plan to attend the public hearing. Proposition 218 requires that, if written protests are submitted by a majority of the affected property owners / customers responsible for paying the water bills, the proposed rate change will not be imposed and the District will consider other alternatives to the water unit rate increase. However, the Board will consider all comments, objections, or suggestions regarding the proposed increases before they are adopted.

Your written protest must be received prior to the close of the April 9, 2008, public hearing. Written protests must include the name of the person protesting and a District account number or the property address. E-mail protests will not be accepted. Send a written protest to:

**Purissima Hills Water District
26375 Fremont Road
Los Altos Hills, CA 94022
Attention: Water Rate Increase Protest**