

**SOUTH COAST
WATER DISTRICT**

Partnering With The Community



**PUBLIC NOTICE OF PROPOSED INCREASE
IN WATER AND SEWER RATES AND CHARGES**

**Public Hearing to be held on
Thursday, June 23, 2016, 6 p.m.
City of Dana Point Council Chambers
33282 Golden Lantern St,
Suite 203, Dana Point, CA 92629**

The South Coast Water District (SCWD) Board of Directors is considering a water and sewer rate increase. If approved, the increased rates will become effective for billing periods which begin after **July 1, 2016**.

WHAT WOULD THIS MEAN TO A TIER 2 SINGLE FAMILY RESIDENTIAL (SFR) CUSTOMER?

For the fiscal year beginning on July 1, 2016, a SFR customer with a ¾ inch meter using 7,480 gallons or 10 CCF (one unit of water, one CCF, equals 748 gallons) of potable water every month would see their total water and sewer cost increase by about \$1.67 per week.

RATE STRUCTURE CHANGES AND REASONS FOR RATE INCREASE

We are introducing a new rate structure for the five-year period of July 1, 2016 through June 30, 2021. The proposed rates are the maximum that could be charged in any of the five years. The new rate structure is required to ensure costs for each service are clearly linked to the rate for each service per Proposition 218 and recent court decisions. The rate structure also ensures no single class of customer service subsidizes another.

The goals of the new rate structure include:

- Provide water and sewer service based on actual costs;
- Simplify our existing complicated rate structure;
- Cover all of our fixed costs and keep SCWD financially stable;
- Fairly allocate fixed charges across all service classes;
- Revise our rate structure to protect customers from rate volatility and ensure rate increases are gradual while better aligning costs and revenues.

The new rate structure is a result of nine public workshops during the period November, 2015 to April, 2016. These workshops can be viewed at scwd.org/services/rate_study.asp.

Clean, reliable water is a fundamental and essential public service provided by SCWD. Our community has done an excellent job conserving this most valuable resource. When water conservation kicked into high

gear, the rate structures used by many water districts left us struggling to recover fixed costs needed to provide water services.

Like most water utilities in Southern California, we must address increasing costs for imported water. Approximately 90 percent of our water is currently imported from Northern California and the Colorado River. Unlike some other parts of Orange County, we are heavily dependent on imported water.

The Board of Directors recognized the compelling need to invest in our community's water infrastructure and improve maintenance to ensure a safe and reliable water system now and for future generations.

Aging infrastructure such as reservoirs, pipelines, and pump stations need rehabilitation. A two-mile tunnel requires stabilization including replacement of a major sewer pipeline. Additionally, a drought-proof, reliable, and sustainable source of local water is planned via an ocean-water Desalination facility. The annual cost for these and other capital improvements are included in the proposed rates. The complete Capital Improvement Plan can be viewed at scwd.org/cip.

Proposed rates for water and sewer are described in the following paragraphs.

PROPOSED WATER RATES

There are three components that make up the water portion of SCWD charges, which are collected with the SCWD monthly bill or by the annual property tax bill. These components are defined below. Components of the water bill may reflect an increase or a decrease in the coming year.

VARIABLE CHARGE: This is the price, per unit of water (one CCF), that SCWD charges.

FIXED CHARGE: Fixed costs are expenses that exist even if the District did not sell any water. Fixed costs generally include repair, maintenance, and rehabilitation of the water (and sewer) distribution systems and components such as a water reservoir or a pump station. A Fixed Service Charge collects a portion of the District's overall fixed annual costs. Fixed Service Charges vary by meter size.

PEAK DEMAND CHARGE: Peak Demand Charge is a new component of the rate structure. Demand is the amount of water used during a billing cycle. Peak is the maximum amount of water the customer uses in one bill cycle over the course of a year. The Peak Demand Charge is based on a customer's second highest usage month in the previous year. It reflects fixed costs that SCWD incurs to provide, transport, treat, and store water to provide for peak demand times (when water demand is at the highest point during the year). Even though these peaks occur once a year, the District is required to service those needs and must have the water and delivery system available year-round.

The Peak Demand Charge would be calculated based on a customer's second highest water use month during the preceding fiscal year (July through June). For the following year, it could go up or down based on how much water was used or conserved the preceding year. This amount will be a fixed charge billed on a customer's property tax bill. It does not include the "cost of the actual water"; rather it reflects the cost of providing and maintaining the capacity throughout the year. Imagine you are filling a pool. The pool could be filled quickly with a fire hose. Or, the pool could be filled with a trickle from a garden hose. In both cases, the same amount of water would be used. However, how much water flowing how fast is quite different, and that difference incurs costs to the system. That is why a larger water meter costs more than a smaller water meter and why the demand charge reflects peak demand.

VARIABLE RATE CHARGE

The variable rate charge is the amount of water actually used each month. It is displayed on a customer's monthly bill. In general, variable rates would be reduced because some costs previously included as variable costs are now contained within the Fixed and Peak Demand Charges in the new rate structure.

SINGLE FAMILY RESIDENCE (Collected on monthly bill)

Tier (1 CCF = 748 Gallons)	Current	July 2016	July 2017	July 2018	July 2019	July 2020
Tier 1 Water Rate (0-5 CCF)	\$2.25	\$2.54	\$2.74	\$2.93	\$3.10	\$3.19
Tier 2 Rate (6-18 CCF)	\$4.18	\$2.68	\$2.89	\$3.09	\$3.28	\$3.37
Tier 3 Rate (19+ CCF)	\$6.27	\$2.83	\$3.05	\$3.27	\$3.46	\$3.56
Tier 4	\$8.36					
Tier 5	\$10.45					

MULTI-FAMILY RESIDENCE, COMMERCIAL, POTABLE IRRIGATION (Collected on monthly bill)

Variable Rate (per CCF)	Current	July 2016	July 2017	July 2018	July 2019	July 2020
Multi-Family	\$4.13	\$2.56	\$2.76	\$2.95	\$3.13	\$3.22
Commercial	\$4.13	\$2.75	\$2.96	\$3.17	\$3.36	\$3.46
Portable Irrigation						
Tier 1 Rate	\$4.18	\$2.85	\$3.08	\$3.29	\$3.49	\$3.59
Tier 2 Rate	\$6.27					
Tier 3 Rate	\$8.36					

FIXED CHARGE for Single Family Residences, Multi-Family Residences, Commercial, and Potable Irrigation (Annual charge collected on the property tax bill)

Meter Size	Current	July 2016	July 2017	July 2018	July 2019	July 2020
¾"	\$294.20	\$257.70	\$278.05	\$297.25	\$314.85	\$324.10
1"	\$529.56	\$429.50	\$463.40	\$495.40	\$524.75	\$540.20
1.5"	\$1,182.69	\$859.00	\$926.80	\$990.80	\$1,049.45	\$1,080.35
2"	\$2,100.60	\$1,374.35	\$1,484.85	\$1,585.25	\$1,679.10	\$1,728.55
3"	\$4,727.83	\$3,006.40	\$3,243.70	\$3,467.70	\$3,673.00	\$3,781.15
4"	\$8,399.48	\$5,411.50	\$5,838.65	\$6,241.85	\$6,611.35	\$6,806.05
6"	\$18,896.62	\$11,166.55	\$12,048.00	\$12,880.00	\$13,642.50	\$14,044.15

PEAK DEMAND CHARGE for Single Family Residences, Multi-Family Residences, Commercial, and Potable Irrigation (Annual charge collected on property tax bill)

Based on the second highest demand month during preceding fiscal year

	July 2016	July 2017	July 2018	July 2019	July 2020
Demand Charge	\$18.35	\$19.80	\$21.15	\$22.45	\$23.10

RECYCLED WATER

Unlike potable water charges, recycled water only has two components (Variable + Fixed). Rather than having a Peak Demand Charge, which could limit the desirability of recycled water, these costs are incorporated into the Recycled Water Variable Rate.

VARIABLE RATE CHARGE (Collected on monthly bill)

Variable Rate (Per CCF) Recycled Water (1 CCF = 748 Gallons)	Current	July 2016	July 2017	July 2018	July 2019	July 2020
	\$3.72	\$3.94	\$4.16	\$4.35	\$4.51	\$4.55

FIXED CHARGE (Annual charge collected on the property tax bill)

Meter Size	Current	July 2016	July 2017	July 2018	July 2019	July 2020
¾"	\$294.20	\$257.70	\$278.05	\$297.25	\$314.85	\$324.10
1"	\$529.56	\$429.50	\$463.40	\$495.40	\$524.75	\$540.20
1.5"	\$1,182.69	\$859.00	\$926.80	\$990.80	\$1,049.45	\$1,080.35
2"	\$2,100.60	\$1,374.35	\$1,484.85	\$1,585.25	\$1,679.10	\$1,728.55
3"	\$4,727.83	\$3,006.40	\$3,243.70	\$3,467.70	\$3,673.00	\$3,781.15
4"	\$8,399.48	\$5,411.50	\$5,838.65	\$6,241.85	\$6,611.35	\$6,806.05
6"	\$18,896.62	\$11,166.55	\$12,048.00	\$12,880.00	\$13,642.50	\$14,044.15

PROPOSED SEWER RATES

These are the charges related to conveying wastewater from the customer to the wastewater treatment plant via the sewage collection system. The proposed sewer rates are updated to simplify the existing structure and to provide greater alignment between actual costs and charges. The rate for Single Family Residents was updated into a Variable Block Rate Structure based on calculated winter usage. Multi-Family rates (MFR) were simplified to reflect a single MFR factor. Commercial sewer rates were simplified from 29 existing categories into three categories based on assumed loadings.

VARIABLE BLOCK RATE FOR SINGLE FAMILY RESIDENCES (Annual charge collected on property tax bill)

Under the existing structure, a single family residence is billed a fixed annual charge plus a variable sewer charge based on water consumed. A new rate structure was developed, because water contributed to the sewer system is not measured.

The new Variable Block Rate includes Variable and Fixed charges based on a Winter Quarter Average. Winter Quarter Average is a new part of the rate structure and is a proxy to define sewer demand rather than utilizing total water demand. It is defined as the average of the prior year usage of winter months (December, January, and February) when outdoor usage is minimal.

Single Family Residences						
Winter Quarter Average	Current Rate	July 2016	July 2017	July 2018	July 2019	July 2020
	\$446.46 Plus \$1.20/CCF					
0-5 CCF		\$554	\$597	\$638	\$676	\$696
6-10 CCF		\$603	\$650	\$695	\$736	\$758
11+ CCF		\$690	\$744	\$796	\$843	\$868

VARIABLE RATE CHARGE FOR MULTI-FAMILY RESIDENCES (Collected on monthly bill)

Multi-Family Residences are currently charged \$1.20 per unit of water used. Under the new rate structure, Multi-Family Residences will continue to be charged a variable rate based on water used. The rate decrease reflects the removal of some fixed costs.

Multi-Family Residences						
Customer Type (1 CCF = 748 Gallons)	Current Rate	July 2016	July 2017	July 2018	July 2019	July 2020
Duplex, Triplex, Fourplex	\$1.20/CCF	\$1.03/CCF	\$1.11/CCF	\$1.19/CCF	\$1.26/CCF	\$1.30/CCF

FIXED CHARGE FOR MULTI-FAMILY RESIDENCES (Annual charge collected on property tax bill)

Multi-Family Residences currently have a Fixed Service Charge based on the number of dwelling units. While the rates currently vary based on customer type, the analyzed data did not warrant unique rates. Under the new rate structure, multi-family residence charges are simplified to a uniform rate per multi-family dwelling unit.

Multi-Family Residences (per dwelling unit)						
Customer Type	Current Rate	July 2016	July 2017	July 2018	July 2019	July 2020
Duplex	\$296.53	\$360.00	\$388.25	\$415.25	\$440.00	\$453.25
Triplex	\$309.89					
Fourplex	\$314.19					

COMMERCIAL CUSTOMER SEWER CHARGE (Collected on monthly bill)

Commercial customers are currently charged for sewer service using 29 differing rates based on the assumed strength of the wastewater put into the collection system. The new rate structure is simplified into three categories (Low, Medium, and High Strength commercial).

Commercial (1 CCF = 748 Gallons)	July 2016	July 2017	July 2018	July 2019	July 2020
Low Strength (i.e. office)	\$6.83/CCF	\$7.36/CCF	\$7.87/CCF	\$8.34/CCF	\$8.59/CCF
Medium Strength (i.e. mixed use)	\$7.74/CCF	\$8.35/CCF	\$8.93/CCF	\$9.46/CCF	\$9.74/CCF
High Strength (i.e. restaurant)	\$9.99/CCF	\$10.78/CCF	\$11.53/CCF	\$12.22/CCF	\$12.58/CCF

WHERE YOUR WATER COMES FROM

Ninety percent of our potable water comes from Northern California and the Colorado River. We purchase this water from the Municipal Water District of Orange County (MWDOC). The distance the water must travel greatly increases our cost of supplying the water. Approximately 10 percent of our water is water we recycle at the Aliso Creek Facility for use as reclaimed water. We have capacity to store a seven-day supply of potable water (42 million gallons) for use in the event of a catastrophic failure or natural disaster that would not allow us to receive imported water.

THE DISTRICT IS COST CONSCIOUS

The Board of Directors and staff continue to work to provide and maintain water and wastewater services in a cost effective and reliable manner. Every year during the past decade, the District has remained at or below the budgets established. District Reserves for emergencies and operations are at, or slightly above, the target levels. District employees provide exceptional customer service and are encouraged to seek cost savings methods. A reward system recognizes their suggestions. The staff and the Board of Directors go through every budget item, line by line. The District is a public agency and does not operate on a for-profit basis. The rate increase proposed by staff supports capital improvements and maintenance at a level which maximizes facility life expectancy, as well as providing an environmentally sound sewage collection system, while ensuring a safe and reliable water system for the community. If a customer has a suggestion for reducing cost, please contact our customer service representatives at (949) 499-4555 or e-mail custserv@scwd.org.

EXAMPLES OF CALCULATIONS OF WATER AND SEWER COST INCREASE

For the fiscal year beginning on July 1, 2016, if the rates as presented herein are approved:

A Single Family Residential Customer with a ¾ inch meter using 7,480 gallons (10 CCF) of potable water per month would see their *monthly bill* decrease by \$18.05 (\$216.60 per year). The amount billed annually on the *property tax bill* would increase by \$303.54. The total increase in water and sewer cost would be \$86.94 per year or \$1.67 per week.

A Multi-Family Residential Home Owners Association of 5 units with a 1-1/2" meter using 22,440 gallons (30 CCF) of potable water per month would see their *monthly bill* associated with each unit decrease by \$6.67 (\$79.92 per year). The amount billed annually on each of the 5 resident's *property tax bills* for the sewer

service charge would increase by \$128.09. The total increase in water and sewer cost associated with each unit would be \$48.17 per year or \$0.92 per week.

A Commercial Customer with a 1" meter using 52,360 gallons (70 CCF) of potable water per month would see their *monthly bill* decrease by \$66.50 (\$798.00 per year). The amount billed annually on the *property tax bill* would increase by \$1,184.44. The total increase in water and sewer cost would be \$386.44 per year or \$7.43 per week.

PROTEST LETTERS

Any SCWD customer or property owner within the SCWD service area may file a written protest of the proposed rate changes by sending a letter to SCWD, 31592 West Street, Laguna Beach, CA 92651. To be valid, a protest letter must include your name, your SCWD service address, a statement of protest, and an original signature.

Protest letters will be tabulated and presented to the Board of Directors at a public hearing to be held on Thursday, **June 23, 2016, at 6 p.m. at the City of Dana Point Council Chambers.**

Any SCWD customer or property owner may submit a letter or appear at the hearing to make comments regarding the proposed rate increase. Letters received prior to June 15, 2016 at noon will be included in the agenda package distributed to the Board of Directors and posted online at www.scwd.org.

The Board of Directors may adopt, revise, or modify the rate increase as proposed at the Board meeting, which is scheduled for June 23, 2016 at 6 p.m.

WHERE TO GET MORE INFORMATION

The proposed water rate chart is available for inspection on the District's website scwd.org or at the District's office at 31592 West Street, Laguna Beach, CA 92651 between 7 a.m. and 6 p.m., Monday through Thursday. The District can assist in answering any questions about SCWD bills or what these proposed changes will mean to a specific customer. For questions or need of additional information, please contact SCWD at (949) 499-4555 or e-mail custserv@scwd.org.

DISTRICT INFORMATION

South Coast Water District is a public agency, formed by popular vote and owned by the people it serves. As a special district, SCWD is different from similar agencies because it operates independently of county government, answering only to the people it serves and the State of California.

Our Board of Directors is elected by voters of the District and charged with the responsibilities of establishing policies and rates, the construction and maintenance of facilities, and any other decision necessary to provide water and sanitation services to our customers. All Directors are permanent residents of the District's service area. Daily operations are administered by a General Manager who is appointed by the Board of Directors.

The Board of Directors serve four-year terms. The Board meets at 6 p.m. every 2nd and 4th Thursday of each month at the City of Dana Point Council Chambers, 33282 Golden Lantern St # 203, Dana Point, CA 92629. Meeting agendas are posted on-line and at the District's West Street Office, Orange County Library – Dana Point Branch, and City of Dana Point's City Clerk's Office. The District welcomes the public's input. This document and other information regarding the District can also be found at scwd.org.