

May 18, 2009

## Notice of Public Hearing for Proposed Water and Sewer Rates Increase

Dear Santa Margarita Water District Customer:

The last time SMWD increased water and sewer rates was 1994. Rates were actually reduced six times in the latter 1990s as SMWD implemented aggressive cost-control measures resulting in, among other things, one of the lowest employee/service connection ratios in the State. We have been able to avoid rate increases for 15 years despite substantial increased purchased water and energy costs, and general operating expense increases. Also, sewage treatment costs have increased due primarily to ever-tightening and costly environmental regulations.

At the Wednesday, July 8, 2009 public hearing, customers can ask questions and provide input regarding the proposed rates increase. After the hearing, SMWD's Board of Directors will consider implementing the rates increase.

### Substantial Increased Cost to Buy Water

Since SMWD's last rate increase 15 years ago, The Metropolitan Water District of Southern California (MWD), which sells drinking water to SMWD, has increased its rates over 50%. Because of the State's failure over decades to develop and sustain existing water supplies, and recent Court decisions to protect fish, MWD is forced to use other expensive water sources resulting in a further 19% rate increase in September. Despite cost-cutting measures over the last 15 years, SMWD can no longer simply absorb these dramatic water cost increases.

### Rate Proposal

The average residential customer's monthly water and sewer bill will increase \$7.00, from \$50.19 to \$57.19 (assuming a 3/4-inch meter, 16 units (ccf) of water use and 11 units of sewer flow). If approved, the new rates will be effective August 15, 2009.

### Future Rate Increases, MWD Penalty and State Budget Impact on Your Water Bill

The last page addresses potential future water and sewer rates increases, an MWD penalty if SMWD does not stay within the amount of water allocated from MWD, and the potential impact on your water bill if the State takes SMWD's property taxes.

### How the Additional Revenue will be Used

In addition to offsetting SMWD's increased cost to buy water from MWD, revenues will be used for:

- Increased sewer system operating costs; and repair, refurbishment and replacement of water and sewer infrastructure
- Water system improvements due to new regulations; and new facilities to improve overall system reliability for emergencies (fires)
- Payment of bonds and State Revolving Fund Loan Program for water supply reliability and reclamation projects

### How You Can Participate

- You can contact us at (949) 459-6420 or [rates@smwd.com](mailto:rates@smwd.com). We are here to answer your questions and the Board will consider these comments before it makes a decision.
- **Attend the Public Hearing:** The Board will consider the proposed water and sewer rates increases in the public hearing as noted on the upper right of this page. This hearing will include a public comment period where members of the public can ask questions, express any concerns and submit written protests (see below).
- **Submit Comments or Written Protest:** Any customer or property owner within the SMWD service area may file a written protest by sending a letter to SMWD, attention: General Manager, PO Box 7005, Mission Viejo, CA 92690 or 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688. A valid protest letter must include your name, the address at which service is received from SMWD, a statement of protest and your original signature. **Email protests are not valid and cannot be accepted.** Protest letters received will be tabulated and presented to the Board of Directors at the public hearing. Protest letters must be received prior to the conclusion of the public hearing.

We remain committed to keeping your rates as low as possible while providing the reliable water and sewer service you have come to expect. If you have any questions, please contact us at (949) 459-6420 or [www.smwd.com](http://www.smwd.com).

Sincerely,

John J. Schatz  
General Manager

**Public Hearing for  
Proposed Water and  
Sewer  
Rates Increase**

**Wednesday, July 8, 2009  
7:00 p.m.**

**Santa Margarita Water District  
Headquarters  
26111 Antonio Parkway  
Rancho Santa Margarita**

## WATER RATES

There are two parts to the water rates charged to SMWD's customers: the fixed basic service charge and the variable consumption charge. The basic service charge is a fixed amount based on the meter size at the service address. The most common meter sizes for residential properties are 3/4" and 1". See your water bill for your water meter size. To promote conservation and recover costs, a tiered billing structure is used for potable (drinking) water use that increases as customers use more water. The proposed water rate increase is for both the basic service charge and the consumption charge for all categories of users, effective August 15, 2009.

### PROPOSED BASIC SERVICE CHARGES (Monthly Charge)

WATER			
Meter Size	Current Rate	Proposed Rate	
3/4"	\$ 5.74	\$ 6.03	
1"	\$ 7.77	\$ 7.77	
1 1/2"	\$ 12.84	\$ 12.84	
2"	\$ 18.93	\$ 18.93	
2 1/2"	\$ 27.05	\$ 27.05	
3"	\$ 35.16	\$ 35.16	
4"	\$ 53.42	\$ 53.42	
6"	\$ 104.14	\$ 104.14	
8"	\$ 165.00	\$ 165.00	
10"	\$ 246.15	\$ 246.15	

### PROPOSED CONSUMPTION CHARGES (1ccf = 748 gallons)

COMMODITY CHARGES				
CLASS	CURRENT		PROPOSED RATE	
	TIER (ccf)	RATE	TIER (ccf)	RATE***
<b>RESIDENTIAL</b>				
Single Family	0-6	\$ 1.38	0-6	\$ 1.89
	7-35	\$ 1.56	7-20	\$ 2.01
	36-70	\$ 2.05	21-35	\$ 2.46
	70-105	\$ 2.46	36-70	\$ 2.95
			71+	\$ 3.77
Multi-family/ Single Meter & Common Meter	0-6	\$ 1.38	0-3	\$ 1.89
	7-12	\$ 1.56	4-6	\$ 2.01
	13-24	\$ 2.05	7-12	\$ 2.46
	25+	\$ 2.46	13-24	\$ 2.95
			25+	\$ 3.77
<b>IRRIGATION</b>				
Lakefill	Flat Rate	\$ 1.74	Flat Rate	\$ 2.05
Domestic	Flat Rate	\$ 1.74	Flat Rate	\$ 2.05
Non-Domestic	Flat Rate	\$ 1.74	Flat Rate	\$ 1.74
<b>OTHER</b>				
Commercial	Flat Rate	\$ 1.74	Flat Rate	\$ 2.05
C2-Med-Low Strength	Flat Rate	\$ 1.74	Flat Rate	\$ 2.05
C3-Med-High Strength	Flat Rate	\$ 1.74	Flat Rate	\$ 2.05
C4-High Strength	Flat Rate	\$ 1.74	Flat Rate	\$ 2.05
CR-Recreational	Flat Rate	\$ 1.74	Flat Rate	\$ 2.05
Fire Service	Flat Rate	\$ 1.74	Flat Rate	\$ 2.05
Construction	Flat Rate	\$ 1.74	Flat Rate	\$ 2.05

### PROPOSED POWER SURCHARGE

DOMESTIC POWER SURCHARGE (per ccf)			
Elevation	Current Rate	Proposed Rate	
Zone 3	\$ 0.10	\$ 0.17	
Zone 4	\$ 0.20	\$ 0.25	
Zone 5	\$ 0.25	\$ 0.34	

NON-DOMESTIC POWER SURCHARGE (per ccf)			
Elevation	Current Rate	Proposed Rate	
Zone C	\$ -	\$ 0.12	
Zone D	\$ -	\$ 0.23	
Zone E	\$ -	\$ 0.33	

\*\*\* Includes a MWDOC/MWD WATER SURCHARGE of \$0.28

## SEWER RATES

There are two parts to the sewer rates charges to SMWD's customers: the fixed basic service charge and a volumetric charge, based on the amount of sewer discharged. Since it is not practical to individually meter sewer discharge, water consumption is used to determine the volumetric charge. For commercial customers, the volumetric charge is also based on the type (quality) of wastewater discharged by different classes of users. The proposed sewer rate increase will affect both the basic service charge and the volumetric charge for all categories of users, effective August 15, 2009. User categories are outlined in the charts below.

### PROPOSED BASIC SEWER SERVICE AND VOLUMETRIC CHARGES

BASIC SERVICE CHARGE				SANITATION VOLUMETRIC CHARGE						
Meter Size	Current		Proposed Rate	Maximum Rate	CLASS	CURRENT		PROPOSED		Maximum Rate
	Rate					MAX UNITS	RATE	MAX UNITS	RATE	
3/4"	\$ 8.25	\$	8.72	\$ 11.63	<b>RESIDENTIAL</b>					
1"	\$ 13.26	\$	14.02	\$ 18.69	Single Family	14	\$ 0.88	11	\$ 1.00	\$ 1.19
1 1/2"	\$ 25.69	\$	27.16	\$ 36.21	Multi-Family/Single Meter	9	\$ 0.88	9	\$ 1.00	\$ 1.19
2"	\$ 40.66	\$	42.98	\$ 57.31	Multi-Family/Common Meter	9	\$ 0.88	7	\$ 1.00	\$ 1.19
2 1/2"	\$ 60.64	\$	64.10	\$ 85.46	<b>COMMERCIAL</b>					
3"	\$ 82.13	\$	87.00	\$ 116.00	C1-General Strength	No Max	\$ 0.88	No Max	\$ 1.19	\$ 1.19
4"	\$ 125.54	\$	132.75	\$ 177.00	C2-Med-Low Strength	No Max	\$ 1.08	No Max	\$ 1.46	\$ 1.46
6"	\$ 250.24	\$	264.75	\$ 353.00	C3-Med-High Strength	No Max	\$ 1.45	No Max	\$ 1.96	\$ 1.96
8"	\$ 399.95	\$	423.00	\$ 564.00	C4-High Strength	No Max	\$ 2.59	No Max	\$ 3.51	\$ 3.51
10"	\$ 599.58	\$	633.75	\$ 845.00	CR-Recreational	No Max	\$ 0.88	No Max	\$ 1.19	\$ 1.19

### FUTURE INCREASES

Section 53756 of the Government Code allows an agency providing water or sewer services to adopt a schedule of fees or charges authorizing automatic adjustments to pass along increases in wholesale water charges and increased operating costs based on the Consumer Price Index.

### WHOLESALE WATER COST

In addition to the water rate adjustment referenced in this notice, SMWD reserves the right to pass along future increases in wholesale water charges imposed by MWD through the District's wholesale water supplier, Municipal Water District of Orange County (MWDOC), through 2013. These automatic adjustments may be made whenever MWD or MWDOC (1) increases the standard wholesale cost of water beyond the current wholesale cost assumed by SMWD in the proposed rates described in this notice or, (2) imposes "penalties" or "surcharges" triggered when SMWD's total water use exceeds the water supply allocation imposed on SMWD by MWD and/or MWDOC.

The automatic adjustment described under (1) will be passed along, after 30-days notice to customers, in the Water Consumption Charge for potable water. As with the proposed rate increase, this will be reflected as a separate line item, entitled "MWD" or "MWDOC", on the bill. The automatic adjustment described under (2) will be passed along to customers in the Water Consumption Charge for potable water under a separate line item entitled "MWD/MWDOC Penalty Charge" in the amount of \$0.74 per ccf for all flat-rate irrigation accounts using MWD water and all domestic water sales in Tier 3 and above.

### CPI INCREASE

In addition to the water and sewer rates adjustments set forth in this notice, SMWD reserves the right to increase water base and commodity charges, and basic sewer service and volumetric charges, based on Consumer Price Index changes as reported in the US Department of Labor-Bureau of Labor Statistics Los Angeles-Riverside-Orange County region-All urban Consumers, not seasonally adjusted report.

### GENERAL FUND 1% BASIC TAX LEVY RECAPTURE CHARGE (STATE BUDGET IMPACT)

In Fiscal Year 2008/09, SMWD was apportioned approximately \$6 million of the 1% General Tax Fund (property taxes) levy. Should the State of California redirect these funds from SMWD, a 1% General Tax Fund Levy Recapture Charge will be used to offset the lost revenues. The proposed charge is \$9.47 per customer per month for Fiscal Year 2009/10.

### CONSERVATION AND MWD'S WATER ALLOCATION TO SMWD

By using less water you can minimize the impact of the proposed rate increase while conserving water. Visit [www.smwd.com](http://www.smwd.com) to learn how you can start saving water and money today.

The proposed water rate adjustment assumes SMWD's customers will reduce usage by approximately 10%. MWD has cut the amount of water available to SMWD at current rates by approximately this amount. If SMWD exceeds its water allocation, as noted above, the cost of MWD water will include a penalty which SMWD will pass along to you. We strongly encourage you to reduce your water use by approximately 10% so we do not have to pass along the MWD penalty.