

NOTICE OF PUBLIC HEARINGS
Concerning Proposed Rate Increases and
Collection of Certain Fixed Charges on Property Tax Roll for
Improvement District 9 (San Juan Capistrano)
of the Santa Margarita Water District
Potable Water, Recycled Water, and Wastewater Services

NOTICE IS HEREBY GIVEN THAT the Board of Directors of the Santa Margarita Water District (the “District”) will conduct a public hearing, on July 12, 2023, at 6:00 p.m., to consider adopting increases in the rates for its potable water, recycled water, and wastewater services **for customers in Improvement District 9 (San Juan Capistrano) only.**

The public hearing will be held in the Board Room of the District Headquarters located at 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688. The District currently expects the public hearing will also include an option for virtual participation. Information on how to attend virtually will be made available on the District’s website at www.smwd.com as soon as practicable, on the “Board Meetings” page. Should the District determine that, due to a state of emergency or public health concerns, the meeting at which the public hearing will be held will be entirely virtual, in accordance with applicable law, information to that effect will be posted on the District’s website as soon as such information is available, and will be included on the meeting agenda for the public hearing. All recipients of this notice may submit a written protest as further described in the “Public Hearing” section at the end of this notice.

REASONS FOR THE PROPOSED RATE INCREASES

The District is committed to efficiently providing high-quality, reliable water and wastewater services to its customers in ID 9, and maintaining a sound financial position to ensure its systems are maintained and emergencies and unforeseen costs have limited impacts to customers. The District also continues to actively make capital investments into the ID 9 system, including significant rehab projects for the wastewater system, pressure reducing stations, pipelines, reservoirs, and the local water treatment plant known as the San Juan Groundwater Plant for the water system. Revenues in ID 9, at their current levels, are not sufficient to cover these necessary investments. Customers in ID 9 have not had their rates increased since July 1, 2018. While the District continually strives for cost efficiencies, it also needs customer rates to keep pace with inflation and other capital and system operating cost increases, including, among others, the cost to purchase water and comply with regulations governing the treatment of water and wastewater.

To address the increased costs, the District conducted a Cost of Service and Rate Study (“Study”) to document the need to increase rates. The Study ensures the water (including potable and recycled water), and wastewater service rates will recover the proportionate costs of providing the services to each customer class, deter waste, encourage water use efficiency, and manage the District’s valuable water resources. The Study is available for inspection online at www.smwd.com/sjc. The Study demonstrates that the rates proposed in this notice do not exceed the proportional cost of service for ID 9 customers.

POTABLE AND RECYCLED WATER RATES

The rates for both potable and recycled water services are comprised of two components: (1) a Fixed Base Charge; (2) a Commodity Charge. The Commodity Charge is billed per one hundred cubic feet (CCF) of water, where each CCF is equal to 748 gallons.

Water Budgets and Tiered Rates

Single-Family Residential customers are given an indoor and an outdoor water budget (together the “Total Indoor and Outdoor Water Budget” or “TWB”). The standard indoor water budget is calculated as follows:

- Single-Family Residential indoor budget = household size (assumed to be 4 persons with variances available for larger households) X 55 gallons per person per day X number of days in the billing cycle ÷ 748 conversion factor (conversion factor to calculate budget in CCF)

The outdoor water budget is calculated using three factors: (1) the size of the irrigable landscape area per parcel; (2) actual daily plant water loss to the atmosphere (“evapotranspiration”); and (3) a “plant factor” that reflects the water needs of specific types of plants and irrigation efficiencies established pursuant to guidelines provided by state law.

- Single-Family Residential outdoor budget = irrigable area (square footage per parcel) X evapotranspiration for billing cycle (actual daily plant water loss) X plant factor ÷ 1,200 (conversion factor to calculate budget in CCF)

Single-Family Residential customers are billed on a tiered basis, depending on the amount of water used in each billing cycle. The tier breakpoints are set forth below.

Single-Family Residential Tier Allocation

Tiers	Tier Allocation
Tier 1	Indoor Budget
Tier 2	Up to 100% of Total Indoor and Outdoor Budget (TWB)
Tier 3	101% - 200% of TWB
Tier 4	>200% of TWB

Tier breakpoints for Multi-Family Residential customers are indicated in the table below. The amounts indicated are per dwelling unit for Multi-Family customers with a common meter serving multiple dwelling units.

**Multi-Family Residential Tier Allocation
Single Meter or per Dwelling Unit for Multi-Family Common Meter**

Tiers	Allocation
Tier 1	0 to 7 CCF
Tier 2	8 to 12 CCF
Tier 3	13 to 24 CCF
Tier 4	25 CCF or greater

Irrigation customers receiving either potable or recycled water are assigned a budget utilizing the same outdoor-based methodology described above. Irrigation customers are given only an outdoor water budget. Their outdoor water budgets are calculated as follows:

- Irrigation Budget = irrigable area (square footage per parcel) X evapotranspiration (actual daily plant water loss) for the billing cycle X plant factor ÷ 1,200 (conversion factor to calculate budget in CCF)

Tier breakpoints for Irrigation potable and recycled water customers are set forth below.

Irrigation (Potable and Recycled Water) Tier Allocation

Proposed Tiers	Proposed Tier Allocation
Tier 1	Up to 100% of Budget
Tier 2	101% - 200% of Budget
Tier 3	> 200% of Budget

Water Fixed Base Charge

The Water Fixed Base Charge is based on the demands placed on the system in terms of flow capacity, which is in turn based on the size of the meter (measured in inches) serving the property receiving water service. The Water Fixed Base Charge consists of two components:

- 1) The **Basic Component** is calculated to recover the water system fixed costs, such as the costs of billing, customer service, meter reading, system repairs and maintenance.
- 2) The **Capital Component** is calculated to recover the water system costs required for capital investment in the system.

Water Fixed Base Charge – Basic Component

Meter Size	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
3/4" or 5/8"	\$26.82	\$27.72	\$31.74
1" (Residential)	\$37.38	\$27.72	\$31.74
1" (Commercial)	\$37.38	\$38.15	\$44.39
1-1/2"	\$53.11	\$63.70	\$75.39
2"	\$81.86	\$94.99	\$113.35
2-1/2"	\$81.86	\$132.54	\$158.91
3"	\$245.73	\$179.47	\$215.85
4"	\$346.25	\$273.34	\$329.74
6"	\$602.88	\$533.04	\$644.82
8"	\$1,029.48	\$845.92	\$1,024.44
10" or larger	\$1,029.48	\$1,263.63	\$1,531.23

**Rate per month.*

Water Fixed Base Charge – Capital Component

Meter Size	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
3/4" or 5/8"	\$0	\$16.43	\$12.98
1" (Residential)	\$0	\$16.43	\$12.98
1" (Commercial)	\$0	\$27.38	\$21.63
1-1/2"	\$0	\$54.20	\$42.82
2"	\$0	\$87.05	\$68.76
2-1/2"	\$0	\$126.47	\$99.90
3"	\$0	\$175.74	\$138.82
4"	\$0	\$274.29	\$216.66
6"	\$0	\$546.93	\$432.01
8"	\$0	\$875.41	\$691.48
10" or larger	\$0	\$1,313.93	\$1,037.86

**Rate per month. The Capital Component may be billed monthly at the rates indicated above or annualized into a single bill (rate multiplied by 12) due in two equal installments, by December 10 and April 10 each year and may be directly billed or included on property tax bills.*

Private Fire Service Charge

The **Private Fire Service Charge** is a separate fixed charge imposed only on properties with a private fire line serving the parcel. The Private Fire Service Charge is based on the demands placed on the system in terms of flow capacity, which is in turn based on the size of the meter (measured in inches) serving the property receiving water service. The Private Fire Service Charge consists of two components:

- 1) The **Basic Component** is calculated to recover the water system fixed costs, such as the costs of billing, customer service, meter reading, system repairs and maintenance. For the Private Fire Service Charge, certain costs of the system, such as meter reading, customer billing, water quality testing, and other certain administrative and staffing costs are not allocated, or are only allocated in part, to the Basic Component.
- 2) The **Capital Component** is calculated to recover the water systems costs required for capital investment in the system.

Private Fire Service Charge – Basic Component

Meter Size	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
1"	\$79.26	\$28.15	\$33.82
1-1/2"	\$79.26	\$43.89	\$54.47
2"	\$79.26	\$63.17	\$79.75
2-1/2"	\$79.26	\$86.31	\$110.08
3"	\$79.26	\$115.23	\$148.00
4"	\$79.26	\$173.07	\$223.84
6"	\$79.26	\$333.09	\$433.67
8"	\$168.88	\$525.90	\$686.47
10" or larger	\$168.88	\$783.29	\$1,023.96

*Rate per month.

Private Fire Service Charge – Capital Component

Meter Size	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
1"	\$0	\$27.38	\$32.89
1-1/2"	\$0	\$54.20	\$42.82
2"	\$0	\$87.05	\$68.76
2-1/2"	\$0	\$126.47	\$99.90
3"	\$0	\$175.74	\$138.82
4"	\$0	\$274.29	\$216.66
6"	\$0	\$546.93	\$432.01
8"	\$0	\$875.41	\$691.48
10" or larger	\$0	\$1,313.93	\$1,037.86

*Rate per month. The Capital Component may be billed monthly at the rates indicated above or annualized into a single bill (rate multiplied by 12) due in two equal installments, by December 10 and April 10 each year and may be directly billed or included on property tax bills.

Commodity Charge

The Commodity Charge is a variable water usage charge determined by the amount of water delivered to a parcel or property, measured in units of one hundred cubic feet (“CCF”), where each CCF is equal to 748 gallons.

Commodity Rates – Potable or Domestic Water (per CCF)

Single-Family and Multi-Family Residential Customers	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
Tier 1	\$3.66	\$3.42	\$3.51
Tier 2	\$5.79	\$3.43	\$3.52
Tier 3	\$6.28	\$3.71	\$3.80
Tier 4	\$6.28	\$4.76	\$4.87
Irrigation Customers	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
Tier 1	\$3.66	\$3.46	\$3.55
Tier 2	\$5.79	\$4.97	\$5.09
Tier 3	\$6.28	\$8.43	\$8.63
Tier 4	\$6.28	NA	NA
Commercial Customers	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
Commercial (1)	\$3.66	\$3.48	\$3.57
Agriculture (1)	\$3.66	\$3.48	\$3.57
Construction	\$6.28	\$4.97	\$5.09

*Rate per CCF of usage.

(1) Currently Commercial customers (Commercial and Agriculture) commodity rates also include Tier 2 (\$5.79) and Tiers 3 and 4 (\$6.28). Tiers 2-4 are being eliminated for these customers. A Commercial-Agriculture meter must be utilized by a business primarily engaged in cultivation of crops on the property, with one or more water meters dedicated solely to outdoor irrigation.

Commodity Rates (per CCF) – Non-Domestic (Recycled) Water

Irrigation / Residential Customers	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
Tier 1	\$3.53	\$2.49	\$2.62
Tier 2	\$3.53	\$3.82	\$4.03
Tier 3	\$4.20	\$5.90	\$6.22
Recycled – Uniform Rate Customers	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
Commercial	\$3.53	\$3.82	\$4.03
Construction	\$3.53	\$3.82	\$4.03

*Rate per CCF of usage.

WASTEWATER RATES

The rate structure for wastewater services consists of two customer classes: Residential and Commercial. Residential customers are further classified into Single-Family (SFR), Multi-Family Residential (MFR), and Multi-Family Common (MFC). Within the Commercial customer class, customers are further classified based on the type of commercial activity and the constituents (“strength”) that they discharge into the wastewater system. Each sub-category of Commercial customers is further divided based on the size of the meter serving the property. Typical users within the five commercial subclasses include the following:

- Commercial Class 1 “C1” (low strength) — schools, car washes, beauty and barber shops, department and retail stores, professional offices and general commercial businesses, warehouses
- Commercial Class 2 “C2” (medium strength) — shopping centers, auto repair/sales shops, service stations, hotels without dining facilities, bars without dining facilities
- Commercial Class 3 “C3” (medium to high strength) — convenience stores, liquor stores with a delicatessen, and hotels with dining facilities, assisted living facilities
- Commercial Class 4 “C4” (high strength) — bakeries, restaurants and bars with food, supermarkets, mortuaries
- Commercial Class CR (Recreation) – community centers

The rates for the wastewater services are comprised of two components: (1) Wastewater Fixed Base Charge; and (2) a Variable Volumetric Charge.

Wastewater Fixed Base Charge

The Wastewater Fixed Base Charge is structured to the wastewater system’s fixed costs and overhead in providing wastewater service. The Wastewater Fixed Base Charge is based on customer class and meter size (in the case of commercial customers).

The Wastewater Fixed Base Charge consists of two components:

- 1) The **Basic Component** is calculated to recover the wastewater system fixed costs, such as the costs of billing, customer service, system repairs and maintenance.
- 2) The **Capital Component** is calculated to recover the wastewater system costs required for capital investment in the system.

The rate for Multi-Family properties with a common meter that serves multiple dwelling-units or living-units will be billed on a per account plus an additional charge per dwelling unit.

Wastewater Fixed Base Charge – Basic Component

Customer Class	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
Commercial - C1:			
C1 2" and smaller	\$11.37	\$22.43	\$24.99
C1 greater than 2"	\$11.37	\$117.92	\$134.22
Commercial - C2:			
C2 2" and smaller	\$11.37	\$65.85	\$74.65
C2 greater than 2"	\$11.37	\$118.90	\$135.34
Commercial - C3:			
C3 2" and smaller	\$11.37	\$67.75	\$76.83
C3 greater than 2"	\$11.37	\$120.80	\$137.51
Commercial - C4			
C4 2" and smaller	\$11.37	\$70.69	\$80.19
C4 greater than 2"	\$11.37	\$123.74	\$140.87
Commercial – CR:			
CR (any size meter)	\$11.37	\$22.42	\$24.97
Single-Family Residential:	\$25.56	\$23.41	\$26.11
Multi-Family Residential ⁽¹⁾:	\$19.83	\$21.06	\$23.42
Multi-Family Common ⁽²⁾:			
Per Meter/Account	\$0.00	\$10.15	\$10.94
Per Dwelling Unit	\$19.83	\$10.91	\$12.48
Per Dwelling Unit (Mobile Homes)	\$14.10**	\$10.91	\$12.48

*Rate per month.

**Changed from amount mailed. No impact on proposed rates.

(1) Multi-Family Residential – single meter per dwelling unit and account.

(2) Multi-Family Common – account or meter serves multiple dwelling units.

Wastewater Fixed Base Charge – Capital Component

Customer Class	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
Commercial - C1:			
C1 2" and smaller	\$0	\$8.11	\$14.55
C1 greater than 2"	\$0	\$71.14	\$127.67
Commercial - C2:			
C2 2" and smaller	\$0	\$36.77	\$65.99
C2 greater than 2"	\$0	\$71.79	\$128.83
Commercial - C3:			
C3 2" and smaller	\$0	\$38.02	\$68.24
C3 greater than 2"	\$0	\$73.04	\$131.08
Commercial - C4			
C4 2" and smaller	\$0	\$39.97	\$71.72
C4 greater than 2"	\$0	\$74.98	\$134.56
Commercial – CR:			
CR (any size meter)	\$0	\$8.10	\$14.54
Single-Family Residential:	\$0	\$8.76	\$15.72
Multi-Family Residential ⁽¹⁾:		\$7.20	\$12.92
Multi-Family Common ⁽²⁾:			
Per Account	\$0	NA	NA
Per Dwelling Unit	\$0	\$7.20	\$12.92

*Rate per month. The Capital Component may be billed monthly at the rates indicated above or annualized into a single bill (rate multiplied by 12) due in two equal installments, by December 10 and April 10 each year and may be directly billed or included on property tax bills.

(1) Multi-Family Residential – single meter per dwelling unit and account.

(2) Multi-Family Common – account or meter serves multiple dwelling units.

Variable Volumetric Charge

Variable Volumetric Rates (per CCF) – Wastewater

Customer Class	Current Rate	Proposed Rate* (August 1, 2023)	Proposed Rate* (July 1, 2024)
Commercial - C1	\$2.52	\$0.53	\$0.55
Commercial - C2	\$2.52	\$0.63	\$0.66
Commercial - C3	\$2.52	\$0.81	\$0.85
Commercial - C4	\$2.52	\$1.10	\$1.15
Commercial - CR	\$2.52	\$0.53	\$0.55
Residential (SFR, MFR, MFC)	\$0	\$0.63	\$0.66

*Rate per CCF of water billed. Charge does not apply more than 9 CCF per month for Single-Family Residential and 7 CCF per month, per dwelling unit, for Multi-Family Residential customers.

WATER SHORTAGE CONTINGENCY RATES FOR ID 9

Pursuant to California state law, the District has adopted a Water Shortage Contingency Plan (“Plan”) that identifies Stages, numbered from 1 to 6, based on increasing levels of severity of the potable water supply shortage and need to reduce potable water usage. Under each Stage of the Plan, the District anticipates undertaking certain measures required to achieve customer potable water usage reductions while also incurring additional costs to achieve the usage reductions required, while experiencing the same level of fixed costs to continue to maintain the water system. However, due to the reductions in water sales, the District will not be recovering revenue necessary to meet such costs. The Water Shortage Rates identified below are designed to recover a significant portion of the costs to implement each Stage, and are less than the actual, proportional cost of providing water service at each Plan Stage, within each Tier, and for each customer.

Rates for water service will not be changed during a water shortage event. Instead, the proposed Water Shortage Rates involve a reduction of budgets, as set forth below. If the District has declared a Stage of its Plan, adjustments to the amount of potable water available at the District’s commodity rate tiers for ID 9 may be implemented by separate action by the District’s Board of Directors as indicated in the table below. The percentage indicates the amount of reduction in the amount of water each customer can utilize in each tier. Customers can contact the District at (949)459-6420, CustomerCare@smwd.com, or www.smwd.com to determine how the Tier adjustments could impact the budget for their parcel.

Potable Water Tier Width Reductions For ID 9

Commodity Tiers	Tiered Rates*	Base Usage / Tier Widths	Tier Width Reductions			
			Plan Stage 2	Plan Stage 3	Plan Stage 4	Plan Stage 5
Residential (SFR)						
Tier 1	\$3.42	Indoor Budget	0%	0%	0%	-5%
Tier 2	\$3.43	Outdoor Budget	-5%	-20%	-25%	-35%
Tier 3	\$3.71	Up to 200%	-20%	-40%	-45%	-45%
Tier 4	\$4.76	> 200%	NA	NA	NA	NA
Residential (MFR)						
Tier 1	\$3.42	0 to 7 CCF	0%	0%	0%	-5%
Tier 2	\$3.43	8 to 12 CCF	-5%	-20%	-25%	-35%
Tier 3	\$3.71	13 to 24 CCF	-20%	-40%	-45%	-45%
Tier 4	\$4.76	25 CCF or greater	NA	NA	NA	NA
Irrigation						
Tier 1	\$3.46	Total Budget	-10%	-15%	-25%	-40%
Tier 2	\$4.97	Up to 200%	-10%	-30%	-55%	-70%
Tier 3	\$8.43	> 200%	NA	NA	NA	NA
Commercial	\$3.48	NA	NA	NA	NA	NA

**Informational context for tier width reductions. Rates indicated in table are based on rates expected to be effective as of August 1, 2023.*

PUBLIC HEARING ON PROPOSED RATE INCREASES

Any record owner of a parcel upon which the water, recycled water, and wastewater service rates are proposed for imposition, or any tenant directly responsible for the payment of water, recycled water, and wastewater service rates (i.e., a customer of record) within the District’s service area, may submit a written protest to the **proposed rate increases to Improvement District 9 (San Juan Capistrano) water, recycled water, and wastewater services**; provided, however, only one protest will be counted per identified parcel.

Each protest must: (1) be in writing; (2) state whether the protest is submitted in opposition to the rate increases to the water, recycled water, or wastewater services; (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 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688, Attn: Secretary to the Board of Directors. Written protests may also be submitted in person at the District’s Headquarters at 26111 Antonio Parkway in Rancho Santa Margarita, or hand delivered at the public hearing. 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.

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 formal protests unless accompanied by a written protest. At the conclusion of the public hearing, the Board of Directors will determine whether to adopt the proposed rate increases as described in this notice. If, after the close of the public hearing, written protests against the proposed rate increases as outlined above are not presented by a majority of the record owners and customers of record of the identified parcels upon which they are proposed to be imposed, the Board of Directors will be authorized to impose the rate increases. If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact the District at (949)459-6420, CustomerCare@smwd.com, or www.smwd.com.

Please note that there is a 120 day statute of limitations from the effective date of the resolution adopting the rates set forth herein to challenge the water or wastewater service rates.

**PUBLIC HEARINGS ON COLLECTION OF CERTAIN FIXED CHARGES
ON PROPERTY TAX ROLL BY COUNTY OF ORANGE**

NOTICE IS FURTHER GIVEN THAT should the Board of Directors determine to adopt the proposed rate increases set forth above, the District will conduct two additional public hearings on the question of whether to collect certain water fixed charges and wastewater fixed charges for ID 9 on the property tax roll by the County in accordance with Health and Safety Code section 5473 *et seq.*

The District has caused reports to be filed with the Secretary to the Board of Directors containing a description of each parcel subject to such charges, and the amount of the fixed charges proposed to be collected on the property tax roll. Copies of the reports are available for inspection at www.smwd.com/sjc or by contacting the Secretary to the Board of Directors at (949)459-6642 or via email at kellyr@smwd.com. The public hearings are scheduled for July 12, 2023 at 6:00 p.m. and will commence upon completion of the public hearing regarding the rate increases. At the public hearings, the Board of Directors will hear and consider all objections or protests, if any, to the report and if the Board of Directors finds that written protests have not been submitted by the owners of a majority of separate parcels described in the report, the Board of Directors may adopt the report as filed or as amended, and direct collection of such fixed charges by the County of Orange on the property tax roll.

The public hearings will be held in the Board Room of the District Headquarters located at 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688. The District currently expects the public hearings will also include an option for virtual participation. Information on how to attend virtually will be made available on the District's website at www.smwd.com as soon as practicable, on the "Board Meetings" page. Should the District determine that, due to a state of emergency or public health concerns, the meeting at which the public hearings will be held will be entirely virtual, in accordance with applicable law, information to that effect will be posted on the District's website as soon as such information is available, and will be included on the meeting agenda for the public hearings.