

## **NOTICE OF PUBLIC HEARING**

### **Concerning Proposed Rate Increases**

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 **December 14, 2023, at 6:00 p.m.**, to consider adopting increases in the rates for its potable water, recycled water, and wastewater services for all customers, excluding those in the City of San Juan Capistrano. **The proposed rate increases do not impact customers in the City of San Juan Capistrano.**

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 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](http://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 makes every effort to serve its customers in the most efficient and cost-effective manner possible. The District is preparing for the future and undertaking strategic projects to increase local potable and recycled water supplies and expand and enhance its wastewater treatment facilities. While the District continually strives for cost efficiencies, it also needs to recover significantly higher costs due to recent inflation in components that impact the District’s services, including power, chemicals, vehicle fuel, and the cost to purchase water, and comply with State of California water use mandates and regulations governing the treatment of water and wastewater. The proposed rate increases are necessary to keep pace with these cost increases and ensure critical water and wastewater system infrastructure is maintained and new investments in the systems can be continued as planned.

To address the District’s increased costs, the District conducted an analysis to update required customer rates proposed to go into effect on January 1, 2024. This analysis is reflected in Addendum No. 2 to the Cost of Service and Rate Study (“Study”), which was originally conducted in 2019. Addendum No. 2 and the Study are available for inspection at the District’s office or online at [www.smwd.com/159/SMWD](http://www.smwd.com/159/SMWD).

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](mailto:CustomerCare@smwd.com), or [www.smwd.com](http://www.smwd.com).

## POTABLE AND RECYCLED WATER RATES

The rates for both potable and recycled water services are comprised of three components: (1) a Fixed Base Charge; (2) a Commodity Charge; and (3) a Power Surcharge to applicable customers. The Commodity Charge and Power Surcharge are 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**

<b>Tiers</b>	<b>Tier Allocation</b>
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**

<b>Tiers</b>	<b>Allocation</b>
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**

<b>Proposed Tiers</b>	<b>Proposed Tier Allocation</b>
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 recovers the water system fixed costs, such as the costs of billing, customer service, meter reading, system repairs and maintenance, and costs required for capital investment in the system. The Water Fixed Base Charge is allocated to customers 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.

### Water Fixed Base Charge

Meter Size	Current Rate	Proposed Rate* (January 1, 2024)
3/4"	\$25.16	\$26.16
1" (Residential)	\$25.16	\$26.16
1" (Commercial)	\$33.56	\$35.19
1-1/2"	\$54.14	\$57.31
2"	\$79.33	\$84.40
2-1/2"	\$109.57	\$116.91
3"	\$147.37	\$157.54
4"	\$222.97	\$238.81
6"	\$432.12	\$463.66
8"	\$684.10	\$734.56

\*Rate per month.

### 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 recovers the water system fixed costs, such as the costs of billing, customer service, meter reading, system repairs and maintenance, and costs required for capital investment in the system. However, certain costs of the water 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 Private Fire Service Charges.

### Private Fire Service Charge

Meter Size	Current Rate	Proposed Rate* (January 1, 2024)
1"	\$31.36	\$31.82
1-1/2"	\$48.96	\$49.65
2"	\$70.52	\$71.48
2-1/2"	\$96.39	\$97.68
3"	\$128.72	\$130.43
4"	\$193.39	\$195.92
6"	\$372.30	\$377.13
8"	\$587.86	\$595.44
10"	\$875.64	\$886.90

\*Rate per month.

## 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)

<b>Single-Family and Multi-Family Residential Customers</b>	<b>Current Rate</b>	<b>Proposed Rate* (January 1, 2024)</b>
Tier 1	\$2.56	\$3.11
Tier 2	\$2.95	\$3.45
Tier 3	\$3.81	\$4.33
Tier 4	\$6.22	\$7.27
<b>Irrigation Customers</b>	<b>Current Rate</b>	<b>Proposed Rate* (January 1, 2024)</b>
Tier 1	\$3.02	\$3.44
Tier 2	\$4.06	\$4.66
Tier 3	\$6.63	\$7.75
<b>Commercial Customers</b>	<b>Current Rate</b>	<b>Proposed Rate* (January 1, 2024)</b>
Commercial	\$2.62	\$3.22
Construction	\$4.06	\$4.66

*\*Rate per CCF of usage.*

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

<b>Irrigation / Residential Customers</b>	<b>Current Rate</b>	<b>Proposed Rate* (January 1, 2024)</b>
Tier 1	\$2.48	\$2.73
Tier 2	\$3.25	\$3.41
Tier 3	\$5.65	\$4.20
<b>Recycled – Uniform Rate Customers</b>	<b>Current Rate</b>	<b>Proposed Rate* (January 1, 2024)</b>
Commercial	\$2.53	\$2.80
Construction	\$3.25	\$3.41

*\*Rate per CCF of usage.*

## Power Surcharge

The Power Surcharge is based on the cost of energy required to pump water to customers within certain identified pumping zones in the District’s service based on elevation.

## Power Surcharges (per CCF)

<b>Domestic / Potable Water Zone</b>	<b>Current Rate</b>	<b>Proposed Rate* (January 1, 2024)</b>
3	\$0.12	\$0.16
4	\$0.20	\$0.27
5	\$0.34	\$0.45
<b>Recycled Water Zone</b>	<b>Current Rate</b>	<b>Proposed Rate* (January 1, 2024)</b>
C	\$0.33	\$0.35
D	\$0.53	\$0.56
E	\$0.69	\$0.74

\*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 recovers the wastewater system’s fixed costs and overhead in providing wastewater service, including the costs of billing, customer service, system repairs and maintenance, and capital investment in the system.

## Wastewater Fixed Base Charge

Customer Class	Current Rate	Proposed Rate* (January 1, 2024)
<b>Commercial - C1:</b>		
C1 2" and smaller	\$30.90	\$30.56
C1 greater than 2"	\$159.11	\$166.52
<b>Commercial - C2:</b>		
C2 2" and smaller	\$89.20	\$92.38
C2 greater than 2"	\$160.42	\$167.92
<b>Commercial - C3:</b>		
C3 2" and smaller	\$91.74	\$95.09
C3 greater than 2"	\$162.97	\$170.62
<b>Commercial - C4</b>		
C4 2" and smaller	\$95.69	\$99.28
C4 greater than 2"	\$166.92	\$174.81
<b>Commercial – CR:</b>		
CR (any size meter)	\$30.88	\$30.54
<b>Single-Family Residential:</b>	\$32.21	\$31.96
<b>Multi-Family Residential <sup>(1)</sup>:</b>	\$29.06	\$28.60
<b>Multi-Family Common <sup>(2)</sup>:</b>		
Per Meter/Account	\$14.41	\$13.07
Per Dwelling Unit	\$14.65	\$15.53

\*Rate per month.

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

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

## Variable Volumetric Charge

### Variable Volumetric Rates (per CCF) – Wastewater

Customer Class	Current Rate	Proposed Rate* (January 1, 2024)
Commercial - C1	\$0.99	\$1.09
Commercial - C2	\$1.22	\$1.35
Commercial - C3	\$1.54	\$1.72
Commercial - C4	\$2.71	\$3.07
Commercial - CR	\$0.59	\$0.62
Residential (SFR, MFR, MFC)	\$1.12	\$1.24

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

## **RATES FOR MASTER METERED COMMUNITIES**

Master metered communities are those that have a single or limited number of meters but consist of multiple dwelling units and end-users of water and wastewater services.

### **Potable Water Fixed Base Monthly Charge**

The Fixed Base Monthly Charge consists of two components: 1) Per Account and 2) Capacity Usage Charge.

<b>Potable Water Fixed Base Monthly Charge Components</b>	<b>Current Rate</b>	<b>Proposed Rate (January 1, 2024)</b>
Per Account	\$13.39	\$13.83
Capacity Usage Charge (per CCF)*	\$1.14	\$1.17

*\*Based on the highest month's usage in the preceding fiscal year.*

### **Potable Water Commodity Charge**

Commodity Charges will be based on the District's rate for Commercial for meters serving mixed uses, or any combination of residential, commercial, or outdoor irrigation.

Commodity Charges will be based on the District's rate for Multi-Family Residential customers in cases where a meter is solely serving a residential building.

### **Monthly Wastewater Fixed Base Charge**

The Fixed Base Monthly Charge consists of two components: 1) Per Account and 2) Capacity Usage Charge.

<b>Wastewater Fixed Base Monthly Charge Components</b>	<b>Current Rate</b>	<b>Proposed Rate (January 1, 2024)</b>
Per Account	\$15.65	\$17.28
Capacity Usage Charge (per CCF)*	\$2.38	\$2.40

*\*Based on the highest month's usage in the preceding fiscal year multiplied by 90%.*

### **Wastewater Commodity Charge**

The wastewater commodity charges will be calculated based on 90% of the amount of domestic water delivered to a customer. The rate for the wastewater commodity charge will be based on the customer's predominant discharge, which will dictate the customer class that a customer is assigned for purposes of the wastewater commodity charge. If there is no predominant discharger, or if the District believes it is necessary for determining the wastewater strength characteristics, the District may require a sampling study to be performed twice a year at the owner's expense to determine the strength of the wastewater discharge, which will be then used to determine the wastewater commodity charges. The strength of the wastewater discharge will be based on the concentration of biochemical oxygen demand ("BOD") and total suspended solids ("TSS") within the sampled wastewater. The wastewater commodity charges will be calculated based on 90% of the amount of domestic water delivered to a customer along with the corresponding pounds of BOD and pounds of TSS discharged into the system based on the measured concentrations of each constituent. The rates per CCF of flow and pounds of BOD and TSS are set forth in the table below:



<b>Master Metered Wastewater Commodity Charges</b>	<b>Current Rate</b>	<b>Proposed Rate (January 1, 2024)</b>
Flow (per ccf)	\$0.51	\$0.54
BOD (per pound)	\$0.25	\$0.29
TSS (per pound)	\$0.07	\$0.07

### **WATER SHORTAGE CONTINGENCY RATES**

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. Under each Stage, the District anticipates incurring additional costs to achieve the usage reductions required as well as fixed costs to continue to maintain the water system. However, due to 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 of 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 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.

### **Potable Water Tier Width Reductions**

<b>Commodity Tiers</b>	<b>Rate*</b>	<b>Base Usage / Tier Widths</b>	<b>Tier Width Reductions</b>			
			<b>Plan Stage 2</b>	<b>Plan Stage 3</b>	<b>Plan Stage 4</b>	<b>Plan Stage 5</b>
<b>Residential (SFR)</b>						
Tier 1	\$3.11	Indoor Budget	0%	0%	0%	-5%
Tier 2	\$3.45	Outdoor Budget	-5%	-20%	-30%	-40%
Tier 3	\$4.33	Up to 200%	-20%	-40%	-40%	-50%
Tier 4	\$7.27	> 200%	NA	NA	NA	NA
<b>Residential (MFR)</b>						
Tier 1	\$3.11	0 to 7 CCF	0%	0%	0%	-5%
Tier 2	\$3.45	8 to 12 CCF	-5%	-20%	-30%	-40%
Tier 3	\$4.33	13 to 24 CCF	-20%	-40%	-40%	-50%
Tier 4	\$7.27	25 CCF or greater	NA	NA	NA	NA
<b>Irrigation</b>						
Tier 1	\$3.44	Total Budget	-10%	-20%	-40%	-70%
Tier 2	\$4.66	Up to 200%	-20%	-30%	-50%	-70%
Tier 3	\$7.75	> 200%	NA	NA	NA	NA
<b>Commercial</b>						
	\$3.22	NA	NA	NA	NA	NA

*\*Per CCF of usage, based on recommended rates expected to be effective as of January 1, 2024.*

## **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; 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. 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.