



# 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 22, 2023, 6 p.m.**

***South Coast Water District (SCWD) is sending this notice to you, pursuant to California Constitution Article XIII D, Section 6.***

SCWD is considering a water and sewer increase. If approved, the increased rates will become effective for billing periods that begin July 1, 2023.

## **SOUTH COAST WATER DISTRICT COST INCREASES AND REASONS FOR THE PROPOSED RATE CHANGES**

We are proposing rate changes for the three-year period of July 1, 2023, through June 30, 2026. This notice lists the proposed maximum rates we can charge during the next three years. The rate schedule is required to ensure that the costs for each service are clearly linked to the rate for each service per the 1996 California Proposition 218. The rate structure guarantees that no single class of customer service subsidizes another. Each customer must be charged proportionally based on the actual amount of their services as determined by the cost-of-service study conducted by the District's rate consultant completed in June of 2021 and updated April of 2023.

The rate schedule ensures the District meets the following goals:

- Provide water and sewer service based on actual costs;
- Cover all fixed costs and keep SCWD financially stable;
- Fairly allocate fixed charges across all service classes; and
- Protect customers from rate volatility and ensure rate increases are gradual, while aligning costs and revenues.

SCWD makes every effort to provide its customers with safe, reliable water in an efficient and cost-effective manner. While SCWD continually strives for the lowest cost, it also needs to consider inflation and other estimated cost escalations, including:

- Increasing costs of purchasing and distributing water;
- Growing regulations governing the treatment of water and wastewater;
- Ensuring financial stability and funding reserves;
- Maintaining SCWD's water and wastewater infrastructure;
- Expanding and maintaining the recycled water system in a cost-effective manner; and
- Collection, disposal, and treatment of wastewater.

To address the District's increased costs, the district conducted a cost-of-service analysis and rate study. The cost-of-service and rate study demonstrates that the fees and charges proposed in this notice do not exceed your proportionate cost of service and comply with all laws governing the setting of rates.

## WATER SERVICE CHARGES

**Three components** make up the water portion of SCWD charges collected in the SCWD monthly bill or by the annual property tax bill. SCWD bills are sent every 28 to 32 days, roughly monthly, for twelve bills each year. Each billing cycle only reflects charges incurred during the bill dates reflected on the bill. These components are defined below. Components of the water bill will reflect the SCWD Board-approved increase for the next three years starting on July 1, 2023.

**1 VARIABLE CHARGE:** This is the price per unit of water (one centum cubic foot [CCF (cubic feet)] or hundred cubic feet) that SCWD charges. This amount is billed based on meter reads for each billing cycle. This enables customers to review their water usage on a more frequent basis, and if there happens to be an unusually high bill due to a leak or one-time event like a pool fill, these instances are easier to spot and address, as necessary. **The variable charge is billed on your monthly bill.**

**2 FIXED SERVICE CHARGE:** Fixed costs exist even if the customer does not purchase any water. These charges cover the costs associated with providing and maintaining water infrastructure and services, regardless of the volume of water consumed. Fixed costs generally include repair, maintenance, and rehabilitation of the water 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, which are determined based on capacity requirements associated with fixture count, lot size, irrigable area, and fire flow requirements. **Fixed charges are collected on the annual tax bill.**

**3 PEAK DEMAND CHARGE:** The *demand* refers to the amount of water used during a billing cycle. The *peak* corresponds to the maximum amount of water the customer uses in one billing cycle over a year. The Peak Demand Charge is based on a customer's second-highest usage month in the previous year. It reflects the 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, usually summer). 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 at these flow rates year-round.

The Peak Demand Charge is calculated based on a customer's second-highest water use month during the preceding fiscal year (July 1 through June 30). The second highest usage month is used to provide accommodations for one-time events that may have impacted the highest usage month. 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"; instead, it reflects the cost of providing and maintaining the capacity throughout the year. For example, imagine that you are filling a pool. You could fill the pool quickly with a fire hose, or you could fill the pool with a trickle from a garden hose. In both cases, you would use the same amount of water; however, the flow velocity is quite different in the two scenarios. That difference can incur additional costs to the system. The Peak Demand Charge ensures that facilities that provide peaking capacity can accommodate peak demands. **The Peak Demand Charge is billed on the annual tax bill.**

1

**VARIABLE RATE CHARGE**

The variable rate charge is the actual amount of water used each billing cycle. The amount of water used is displayed on a customer's bill from SCWD. Billing cycles are on a monthly frequency. The billing periods generally range from 28 to 32 days.

**SINGLE FAMILY RESIDENCE**

*(Collected on monthly SCWD bill)*

Tier (1 CCF = 748 Gallons)	Current	July 2023	July 2024	July 2025
Tier 1 Rate	\$2.99 (0-10 CCF)	\$3.20 (0-10 CCF)	\$3.42 (0-10 CCF)	\$3.63 (0-10 CCF)
Tier 2 Rate	\$3.80 (11-16 CCF)	\$4.07 (11-16 CCF)	\$4.35 (11-16 CCF)	\$4.61 (11-16 CCF)
Tier 3 Rate	\$3.90 (17+ CCF)	\$4.17 (17+ CCF)	\$4.46 (17+ CCF)	\$4.73 (17+ CCF)

**MULTI-FAMILY RESIDENCE, COMMERCIAL, AND POTABLE IRRIGATION**

*(Collected on monthly SCWD bill)*

Variable Rate (per CCF) (1 CCF = 748 Gallons)	Current	July 2023	July 2024	July 2025
Multi-Family	\$3.29	\$3.52	\$3.77	\$4.00
Commercial	\$3.35	\$3.58	\$3.83	\$4.06
Potable Irrigation	\$3.53	\$3.78	\$4.04	\$4.28

2

**FIXED SERVICE CHARGE**

**Single Family Residences, Multi-Family Residences, Commercial, and Potable Irrigation\***

*(Annual charge collected on the property tax bill)*

Meter Size	Current	July 2023	July 2024	July 2025
5/8"	\$353.66	\$378.42	\$404.91	\$429.20
3/4"	\$353.66	\$378.42	\$404.91	\$429.20
1"	\$622.88	\$666.48	\$713.13	\$755.92
1 1/2"	\$1,034.92	\$1,107.36	\$1,184.88	\$1,255.97
2"	\$1,820.90	\$1,948.36	\$2,084.75	\$2,209.84
3"	\$4,045.88	\$4,329.09	\$4,632.13	\$4,910.06
4"	\$9,058.59	\$9,692.69	\$10,371.18	\$10,993.45
6"	\$17,566.55	\$18,796.21	\$20,111.94	\$21,318.66

\*If you are a **recycled** water irrigation customer, please see the last section

3

**PEAK DEMAND CHARGE**

**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 the preceding fiscal year

Demand Charge (per CCF) (1 CCF = 748 Gallons)	Current	July 2023	July 2024	July 2025
	\$28.01	\$29.97	\$32.07	\$33.99

**SEWER SERVICE CHARGES**

**Three components** make up the sewer service charges. These are the charges related to conveying wastewater from the customer to the wastewater treatment plant via the sewage collection system. The charges also cover the cost of wastewater treatment via the District's membership with the South Orange County Wastewater Authority (SOCWA). This SOCWA fee is approximately 33% of SCWD's sewer service charges paid by you.

1

**VARIABLE RATES FOR SINGLE FAMILY RESIDENCES**

*(Annual charge collected on property tax bill)*

The Variable Rate is based on a customer's Winter Quarter Average metered water use. The Winter Quarter Average is used to approximate a customer's sewer flow, which is not metered. It is defined as the average of the prior year usage of winter months (December, January, and February) when outdoor usage is minimal. The customer's Winter Quarter Average determines which block amount will be charged.

<b>Winter Quarter Average</b>	Current	July 2023	July 2024	July 2025
Block 1: 0-5 CCF	\$824.60 per dwelling unit	\$923.55 per dwelling unit	\$1,034.38 per dwelling unit	\$1,137.82 per dwelling unit
Block 2: 6-10 CCF	\$899.28 per dwelling unit	\$1,007.19 per dwelling unit	\$1,128.05 per dwelling unit	\$1,240.86 per dwelling unit
Block 3: 11+ CCF	\$1,051.37 per dwelling unit	\$1,177.53 per dwelling unit	\$1,318.83 per dwelling unit	\$1,450.71 per dwelling unit

**2**

**VARIABLE RATE CHARGE FOR MULTI-FAMILY RESIDENCES**

*(Collected on the monthly SCWD bill)*

<b>Variable Rate Charge (per CCF)</b> (1 CCF = 748 Gallons)	Current	July 2023	July 2024	July 2025
	\$1.48	\$1.66	\$1.86	\$2.05

**3**

**FIXED SERVICE CHARGE FOR MULTI-FAMILY RESIDENCES**

*(Annual charge collected on the property tax bill)*

Multi-Family Residences Fixed Service Charge is based on the number of dwelling units per meter.

<b>Service Charge (per dwelling unit)</b>	Current	July 2023	July 2024	July 2025
	\$451.98	\$506.22	\$566.97	\$623.67

**4**

**COMMERCIAL CUSTOMER VARIABLE RATE**

*(Collected on the monthly SCWD bill)*

Commercial customers' rate structure is based on the estimated strength of the wastewater discharged into the collection system (Low, Medium, and High Strength commercial). There is a minimum monthly charge calculated using Block 2, 6-10 CCF.

<b>Commercial (1 CCF = 748 Gallons)</b>	Current	July 2023	July 2024	July 2025
Low Strength (e.g., office)	\$8.50/CCF	\$9.52/CCF	\$10.66/CCF	\$11.73/CCF
Medium Strength (e.g., mixed use)	\$11.07/CCF	\$12.40/CCF	\$13.89/CCF	\$15.28/CCF
High Strength (e.g., restaurant)	\$14.78/CCF	\$16.55/CCF	\$18.54/CCF	\$20.39/CCF

## RECYCLED WATER CUSTOMERS ONLY

Unlike potable water charges, recycled water only has two components (Variable + Fixed Service). Rather than having a Peak Demand Charge, which could limit the use of recycled water, these costs are incorporated into the Recycled Water Variable Rate. The District fully supports and encourages recycled water as a sustainable local water supply, and it is an integral component to increasing our water reliability and resiliency. Ultimately, irrigation for a given landscape area is more cost efficient with recycled water in comparison to potable water.

1

### VARIABLE RATE CHARGE

*(Collected on the monthly SCWD bill)*

Variable Rate (per CCF)	Current	July 2023	July 2024	July 2025
(1 CCF = 748 Gallons)	\$5.67	\$6.07	\$6.49	\$6.88

2

### MONTHLY FIXED SERVICE CHARGE

Meter Size	Current	July 2023	July 2024	July 2025
5/8"	\$29.47	\$31.54	\$33.74	\$35.77
3/4"	\$29.47	\$31.54	\$33.74	\$35.77
1"	\$51.91	\$55.54	\$59.43	\$62.99
1 1/2"	\$86.24	\$92.28	\$98.74	\$104.66
2"	\$151.74	\$162.36	\$173.73	\$184.15
3"	\$337.16	\$360.76	\$386.01	\$409.17
4"	\$754.88	\$807.72	\$864.27	\$916.12
6"	\$1,463.88	\$1,566.35	\$1,676.00	\$1,776.56

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### RECYCLED WATER PEAK DEMAND CHARGE:

**NO CHARGE**

## EXAMPLES OF CALCULATIONS OF WATER AND SEWER COST INCREASE

For the fiscal year beginning on July 1, 2023, if the rates as presented herein are approved, the following are the monthly and annual bills for water and sewer service:

**A Single-Family Residential Customer with a ¾-inch meter** using 6,732 gallons (9 CCF) of potable water per month would see their *monthly bill* for the variable water rate increase by \$1.89 (\$22.68 per year). The amount billed annually on the *property tax bill* for the water service charge, the peak demand charge (which is based on the second highest usage per month and estimated to be 15 CCF for the calculation), and the sewer service charge (in Block 2) would increase by \$162.07. The total increase in water and sewer costs would be \$184.75 per year or \$3.55 per week.

**A Single-Family Residential Customer with a 1-inch meter** using 9,725 gallons (13 CCF) of potable water per month would see their *monthly bill* for the variable water rate increase by \$2.91 (\$34.92 per year). The amount billed annually on the *property tax bill* for the water service charge, the peak demand charge (which is based on the second highest usage per month and estimated to be 20 CCF for the calculation), and the sewer service charge (in Block 3) would increase by \$190.71. The total increase in water and sewer costs would be \$225.63 per year or \$4.34 per week.

**A Multi-Family Residential Customer of 5 dwelling units with a 1-1/2" meter** using 16,457 gallons (22 CCF in total or 3,291 gallons per dwelling unit) of potable water per month would see their *monthly bill* for the variable water rate and variable sewer rate increase by \$9.02 (\$108.24 per year). The amount billed annually on the *property tax bill* for the water service charge, the peak demand charge (which is based on the second highest usage per month and estimated to be 27 CCF for this calculation), and the sewer service charge would increase by \$396.55. The total increase in water and sewer costs would be \$504.79 per year or \$9.71 per week.

**A Commercial Customer with a 1-inch meter** using 44,883 gallons (60 CCF) of potable water per month would see their *monthly bill* variable water rate and variable sewer rate (medium strength) increase by \$93.60 (\$1,123.20 per year). The amount billed annually on the *property tax bill* for the water service charge and the peak demand charge (which is based on the second highest usage per month and estimated to be 82 CCF for this calculation) would increase by \$204.32. The total increase in water and sewer costs would be \$1,327.52 per year or \$25.53 per week.

### PASS-THROUGH ADJUSTMENTS

Municipal Water District of Orange County (MWDOC), which delivers imported water from the Metropolitan Water District of Southern California (MWD) to SCWD, and SOCWA, which provides regional treatment of sewage, revise their rates on an annual basis. SCWD projected these yearly rate increases as part of its rate study, but the actual rate increases are determined by the respective MWDOC and SOCWA Boards. SCWD passes through the amount of such rate increases that are greater than projected and used to develop the proposed rates. This way, the District's rates will continue to be based on the actual cost of service.

These pass-through rates would affect the SCWD variable rates only. If approved by the Board of Directors, SCWD will notify its customers of the amount of adjustment at least 30 days before

the effective date of the variable rate adjustment. However, the following conditions will apply: (1) any adjustment to the overall variable rate shall not exceed 15% per year, and (2) in no event shall the variable rate adjustment be more than the cost of providing service.

### 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. For the protest to be valid, a written protest letter must be received by 6 p.m. on the day of the Public Hearing and include (1) your name, (2) your SCWD service address, (3) a statement of protest, and (4) an original signature. Protests made by telephone, email, social media posts, or other electronic means will not be tabulated as valid written protests. Only one protest per parcel will be counted.

Protest letters will be tabulated and presented to the Board of Directors at a Public Hearing to be held in person or virtually on **Thursday, June 22, 2023, at 6 p.m.** Protests received *before June 14, 2023, at noon* will be included in the agenda package distributed to the Board of Directors and posted online at [scwd.org](http://scwd.org). If a majority protest does not occur, the Board of Directors may adopt, revise, or modify the rate increase as proposed at the Public Hearing. However, the Board may not adopt rates that exceed the rates in this notice.

### WHERE YOUR WATER COMES FROM

Roughly 85 percent of our potable water comes from Northern California through the State Water Project and the Colorado River. We purchase this water from MWDOC. The distance the water must travel significantly increases our cost of supplying the water. The remaining 15 percent of our potable water comes from our Groundwater Recovery Facility, where the District highly treats brackish groundwater in the San Juan Basin. During emergencies, SCWD has the potable storage capacity to provide water for approximately eleven (11) days during a catastrophic failure or natural disaster that cuts off all imported drinking water supplies.

The District also highly treats wastewater for use as recycled water for irrigating landscapes, such as golf courses, HOA common areas, and other municipal/commercial landscapes. This treatment process occurs at the District's Advanced Water Treatment and Aliso Creek Recovery facilities.

### WHERE TO GET MORE INFORMATION

For questions or additional information, visit the District's website [scwd.org](http://scwd.org) or call SCWD at (949) 499-4555 or email [custserv@scwd.org](mailto: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 the 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 establishing policies and rates, the construction and maintenance of facilities, and any other decision necessary to

provide water and wastewater services to our customers. All Directors are permanent residents of the District's service boundary. Daily operations are administered by a General Manager whom the Board of Directors appoints.

The Board of Directors each serve four-year terms. The Board meets at 6 p.m. every second and fourth Thursday of each month at the West Street Office located at 31592 West Street, Laguna Beach, CA 92651. Board meetings are being held in hybrid format for your convenience. Visit [SCWD.org/Board](https://www.scwd.org/Board) for agendas and Board details.

Meeting agendas are posted online and at the SCWD's West Street Office. As always, the District encourages the public's input. This document and other information regarding the District can also be found at [scwd.org](https://www.scwd.org).