



What about new development?

In order to receive a water service, all new development must: pay its proportionate share of the existing and anticipated water system costs; offset its projected water use by 120 percent through water efficiency retrofits; and comply with the District's water use efficiency requirements. Through these policies, the impact of recent development on limited groundwater supplies has been minimized.

Why doesn't the District declare a moratorium on new development?

The District, as a public water agency, has a continuing legal obligation to exert every reasonable effort to augment its available water supply in order to meet increasing demands. We are hoping to secure a sustainable and reliable portfolio of water sources before groundwater conditions reach the point of requiring drastic actions which would significantly impact our local economy and

quality of life. At some point, the District may find it necessary to declare a temporary moratorium; however, under state law, this can only be an interim measure while we develop sufficient water supplies.

What about private wells?

A long-standing County Ordinance prohibits new wells within the District's service area. Many private wells have been abandoned and now receive District water service. There is an active effort to eliminate/reduce the use of large non-District wells.

What is the current state of our groundwater supplies?

While our groundwater resources are of serious concern, through your conservation efforts, the problem has not exacerbated in recent years. Below normal rainfall beginning in 2006 prompted the District to declare a precautionary drought curtailment with the objective of achieving a 15 percent reduction

in water consumption. With your cooperation, water use remained low in 2007; however, it is creeping back up. Please do your part to conserve water. The District offers many programs to help you in this effort (see the enclosed card).

How to reach us

If you have questions, comments or would like more information on water issues, please contact us or visit our web site.

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www.WaterSavingTips.org

Soquel Creek Water District is a nonprofit, local government agency with a locally elected Board of Directors. The District provides water supply and water resource management to more than 45,000 customers within a 17-square mile area of mid-Santa Cruz County.

The Board of Directors meets on the first and third Tuesday of each month at 7:00PM at the District's office at 5180 Soquel Drive. Meetings are open to everyone and comments from the public are heard at each meeting.

Board of Directors
Bruce Daniels, President
Dr. Thomas LaHue, Vice President
Dr. Don Hoernschemeyer
Dr. Bruce Jaffe
Daniel F. Kriege

Laura D. Brown, General Manager

What's on Tap is an in-house publication printed bi-monthly for the customers of the District. Forward your comments to the editor at the address above.



What's ON TAP

At the Soquel Creek Water District

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Frequently asked questions about your water bill and projects to assure reliable water supply

New water rates went into effect on March 1, 2008. We know that many customers have questions when they receive their bills. Here are responses to the most frequently asked questions.

Why was there another rate increase following last year's increase?

For many years, District rates were among the lowest in the County, primarily funding only operations and maintenance. The need for major capital projects, such as new wells and treatment plants, a desalination pilot plant, etc., corresponds with the groundwater supply shortage and the need to address that situation. We will no longer be able to meet customer demands without completing very expensive projects.

A finance plan was developed that called for 10 percent annual increases for approximately five years to complete projects in increments

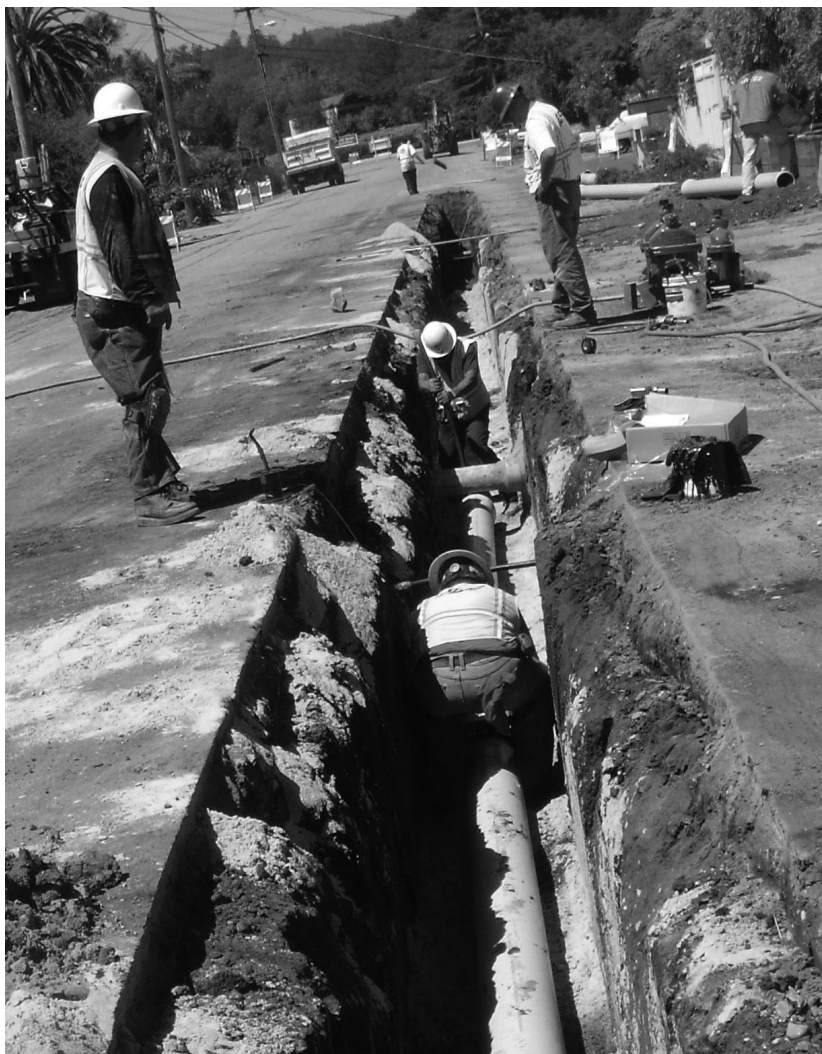
using available cash, and then issuing a bond to complete new water supply projects. However, construction costs skyrocketed due to massive projects in China and other developing countries and because of new paving requirements for trenches in County roadways. The hugely inflated construction costs (over 130 percent increase since 2003) outpaced District revenues, thus recent rate increases have exceeded 10 percent. Additional increases are anticipated in future years

until the needed projects are fully funded. Ten to thirty percent annual increases spread over five plus years will ultimately impact customers less than a single increase that would double or triple the rates. An updated financing plan will be prepared this year for completing the identified projects.

Why does the District need to develop more water supply?

Our only water source is local groundwater wells. No water is taken from creeks or





rivers (surface water), and we do not receive any state or regional water. Annual water use in the District exceeds aquifer recharge from rainfall; therefore, the demand exceeds the available supply. The water deficit today is about six percent, and this situation cannot be sustained in the long term.

If nothing is done, seawater intrusion will eventually contaminate our groundwater resources and make our wells unusable. We will lose our only water supply.

What needs to be done to provide a reliable water supply for existing customers?

The District has adopted a multi-faceted plan with the following main components:

Conservation – we need to limit water use as much as possible. This is the least expensive way to address the supply shortage, but it won't be enough to meet long-term needs. Conservation efforts by both current and new customers have resulted in a decline in annual water use, and today's districtwide use

is comparable to fifteen years ago; but we're still exceeding our sustainable groundwater resources.

Pump water where it will do the least harm – we need to move pumping away from the coast to decrease the risk of seawater intrusion and replace four aging wells. The cost for four new wells is approximately \$8.5 million. We also need to connect our four service areas so that water can be moved throughout the District to improve reliability. This will cost approximately \$7.6 million.

Supplemental water supply – we are evaluating a desalination facility shared with the City of Santa Cruz. The required studies will take approximately four years and cost the District around \$3.2 million. The total evaluation cost is estimated at \$9 million but will be reduced by \$2.6 million in grants and the balance shared with the City of Santa Cruz. Forty percent of the desalination water is needed for the long-term needs of existing customers.

Why are rates being raised when customers are conserving and total water use is less than past years?

Our 2006/07 revenues were about three percent under budget; hence, approximately

three percent of the current rate increase was because water sales were less than projected. The main reason for the rate increase was to pay for the projects listed above, which, combined with maximized conservation, are necessary to assure a reliable water supply.

How are water rates calculated?

The District operates on a July 1 to June 30 fiscal year budget. An independent rate-setting consultant determines the projected water sales and develops a model to calculate rates needed to fund the adopted budget. Rates are apportioned based on 73 percent water sales, with the balance made up of service charges and other income. The District does not receive tax revenues. The Board reviews current income/expenses; discusses near-term project/service needs and available funding; and modifies the proposed rates to balance project/service needs against the impact on customers.

What is a service charge?

The service charge covers fixed costs incurred regardless of whether any water is sold, i.e. fire protection, maintaining the system necessary to deliver water, providing 24-hour emergency response, customer service, business requirements, etc. The service

charge is based on the meter size, but it is not associated with the cost of providing a meter. The service charge for a typical single-family house with a 5/8-inch meter is \$31 bi-monthly and increases for larger meters.

What is the quantity charge?

A tiered rate structure is used to calculate charges for water use with low rates for the baseline and indoor use and higher rates for more discretionary use, particularly

landscape. Simply put, if you use more, then you pay more. The thresholds for the tiers are based on usage trends. The 2008 residential rates include a new, third tier to encourage and reward conservation. The new quantity charges for typical single-family homes with a 5/8-inch meter are:

Tier	Units	Cost per unit
1	1-8	\$2.71
2	9-30	\$5.17
3	31+	\$8.96

(one unit = 100 cu. ft. = 748 gallons)

How is a water bill calculated?

(5/8-inch residential meter)

The charges are calculated for water usage within each tier, therefore:

The first 8 units at \$2.71/unit + number of units from 9-30 at \$5.17/unit + any units above 30 at \$8.96 per unit + bi-monthly service charge = total bi-monthly bill. (See examples below.)

Charges for 22 units

Account Summary		
Tier 1 Water Quantity Charge:	8 Units @ \$2.71	\$21.68
Tier 2 Water Quantity Charge:	14 Units @ \$5.17	\$72.38
Tier 3 Water Quantity Charge:	0 Units @ \$8.96	\$0.00
Service Charge:	5/8 inch	\$31.00
Total Amount Due:		\$125.06

Charges for 45 units

Account Summary		
Tier 1 Water Quantity Charge:	8 Units @ \$2.71	\$21.68
Tier 2 Water Quantity Charge:	22 Units @ \$5.17	\$113.74
Tier 3 Water Quantity Charge:	15 Units @ \$8.96	\$134.40
Service Charge:	5/8 inch	\$31.00
Total Amount Due:		\$300.82