



# Soquel Creek Water District

**Board of Directors  
Rate Structure Alternatives**

Item 7.4

December 5, 2023



# Introduction - Presenters

---



**Leslie Strohm**  
Financial/Business Manager  
Soquel Creek Water District



**Melanie Mow Schumacher**  
Special Projects-Communications  
Manager/Asst. GM  
Soquel Creek Water District

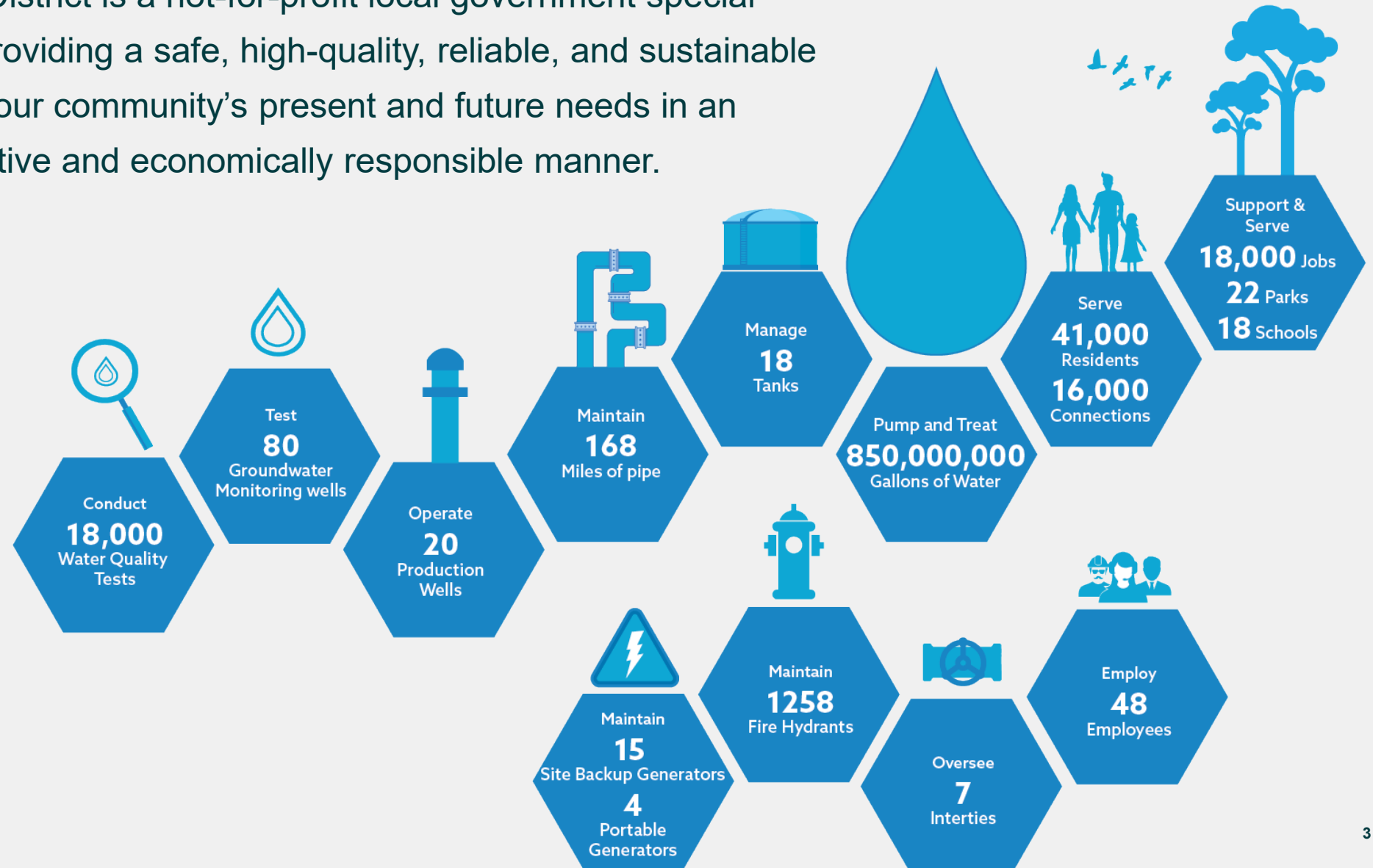


**Kevin Kostiuk**  
Senior Manager  
Raftelis Financial  
Consultants, Inc.



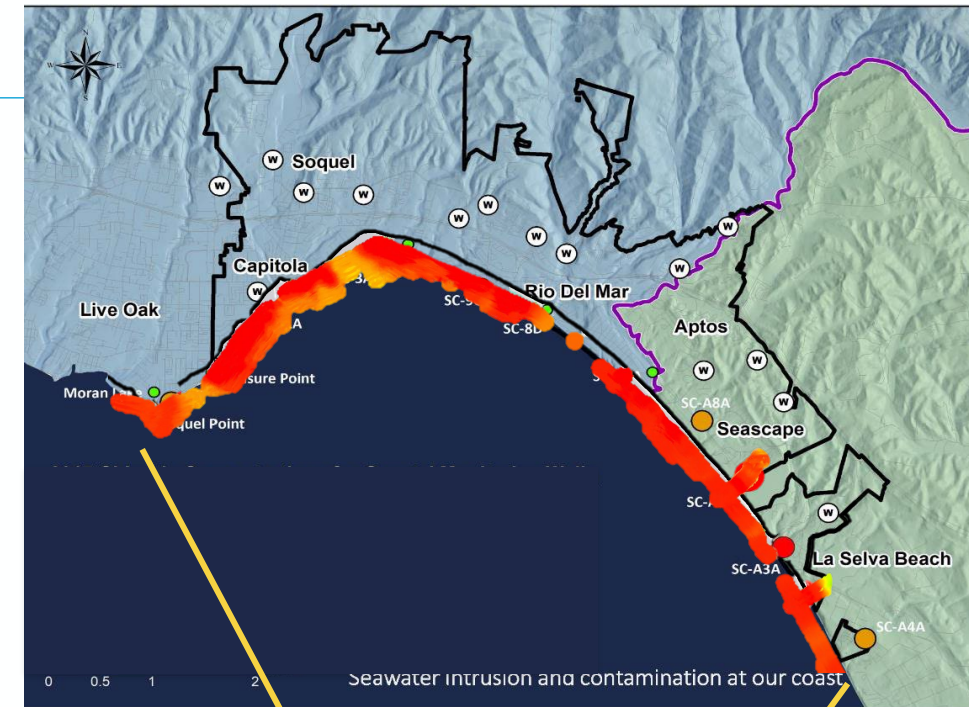
# District's Mission and Overview

Soquel Creek Water District is a not-for-profit local government special district dedicated to providing a safe, high-quality, reliable, and sustainable water supply to meet our community's present and future needs in an environmentally sensitive and economically responsible manner.



# Water Supply Challenges

- **Groundwater is the ONLY source** of water for Soquel Creek Water District
- **Contaminated** with seawater intrusion along the coast
- **'Critically Overdrafted'** and **'High Priority'** as identified by the State of California
- **Mandated by the State to be sustainable** by 2040
- **Addressing stricter water quality standards**
- **Future climate change impacts** including sea level rise and reduced groundwater recharge



# Economic Analysis for a Sustainable Water Supply

**\$903 Million Total Economic Benefit**



RESIDENTIAL



ENVIRONMENTAL



BUSINESS

## Impacts **WITHOUT** Sustainable Water Supply

**3X HIGHER COST OF WATER  
TO CUSTOMERS  
(and use less)**



WITH  
Project

WITHOUT  
Project

# International Water Association Film Series



Last year, the International Water Association and BBC Storyworks created a global film series called 'Beneath the Surface' featuring 16 leading projects around the world.

Santa Cruz County, California, USA

Tenerife and Madrid, Spain

Mukono District, Uganda

Gothenburg, Sweden

Turks & Caicos

Kassel, Germany

Constanta City, Romania

Omaha, Nebraska, USA

Turin, Italy

Copenhagen, Denmark

Porto, Portugal

Joinville, Brazil

Switzerland and The Netherlands

Kingston, Jamaica

Polokwane, South Africa

Glasgow, Scotland



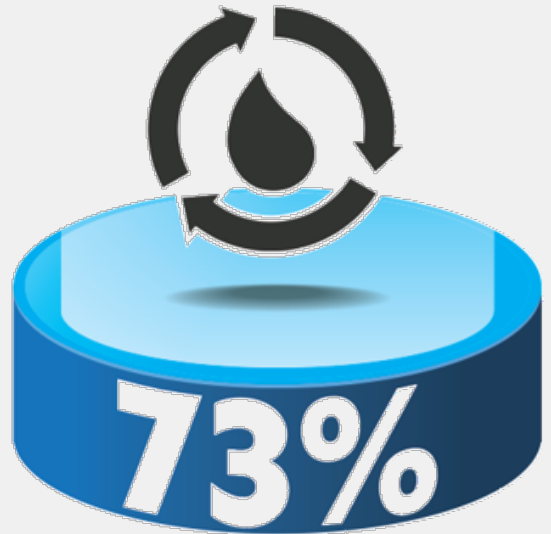
# Based on Community Input



Support **investment in infrastructure** to ensure a safe, reliable water supply



Support taking **strong action now** to address the issues of over-drafting and seawater contamination of the local groundwater



Are **comfortable** with **Pure Water Soquel**


# Public Engagement and Input Is Important

## Monthly E-Blast



January 2023 News & Updates

### The New Year Kicks Off with Heavy Rains and Flood Warnings



The County of Santa Cruz and surrounding region is experiencing a series of winter storm events. The weather forecast is expecting further intense weather January 4-6 based on heavy rainfall, wind, and atmospheric river conditions that will increase the threat for flooding and wind damage.

Soquel Creek Water District staff is continually assessing our water infrastructure and preparing to be responsive in providing our customers reliable water as we weather (no pun intended) these winter storms.

Here are some ways to help you be prepared:

- Visit the [Santa Cruz County Office of Response, Recovery and Resilience](#) for local and up-to-date information on [evaluation areas](#), [rainfall and river levels](#), [road closures](#), and [disaster preparedness and recovery information](#).
- Sand and sandbags are available to residents and businesses of [Central Fire District](#) and the [City of Capitola](#) in limited quantities to combat potential flooding conditions.
- Implement stormwater capture at your home or business in the future with the ["Slow it, Spread it, Sink it" Guide](#) that provides an overview of the design considerations for rainfall-catching devices like rain barrels, swales, and rain gardens. The District offers [rebates](#) for rainwater catchment, downspout redirects, and other landscape transformations.

2023 **C.A.R.E.** CARE: A Vision for 2023  
Incoming Board President, Carla Christensen, describes four focus areas for the Board using the



SOQUEL CREEK WATER DISTRICT

District Info Services Your Water Community OutreachHow Do I? Search...

## LOW INCOME HOUSEHOLD WATER ASSISTANCE PROGRAM

APPLY TODAY

Low Income Household Water Assistance Program (LIHWAP)  
Learn about LIHWAP and how it could help you pay your bill

Board Meetings & Agendas Pay Your Bill/WaterSmart Report Emergency Start & Stop Service Pure Water Soquel Hi 👋, can I answer your question?

## Website

Home » News Flash

Latest News

Posted on: November 13, 2023

### Join Us to Learn About the Water Rates Setting Process

At Soquel Creek Water District, we are committed to providing our community with high-quality, reliable water services. Our region is addressing the critical overdraft of our groundwater basin and actively working to protect against the seawater intrusion that is occurring. As part of our ongoing effort to ensure the sustainability of our operations and infrastructure, we are conducting a comprehensive [Water Rates Study](#).

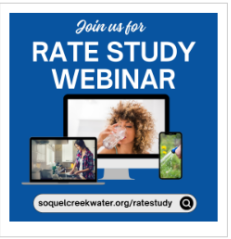
**What is a Water Rates Study?** A water rates study is a public process led by an independent, third-party financial expert and includes an in-depth look at the District's current revenues, operation and maintenance costs, capital investment plan, and reserves (essentially the District's savings account). The study also makes recommendations for any needed rate adjustments for review and consideration by the District's Board of Directors.

**Rate Study Committee:** We created an Ad Hoc Water Rates Advisory Committee to make this process more inclusive. Comprising 10 District customers and two Board Members who are all ratepayers, this committee has provided valuable input and recommendations.

**Join the Webinar:** Don't miss the Water Rates Webinar on November 16, 2023, from 6:00 to 7:00 pm via ZOOM. This is your opportunity to learn more about how rates are determined, ask questions, and provide your input.

Click the link to join the webinar: <https://us02web.zoom.us/j/86872042428#success>

Or join via One tap mobile:



## News Releases



## Community Events

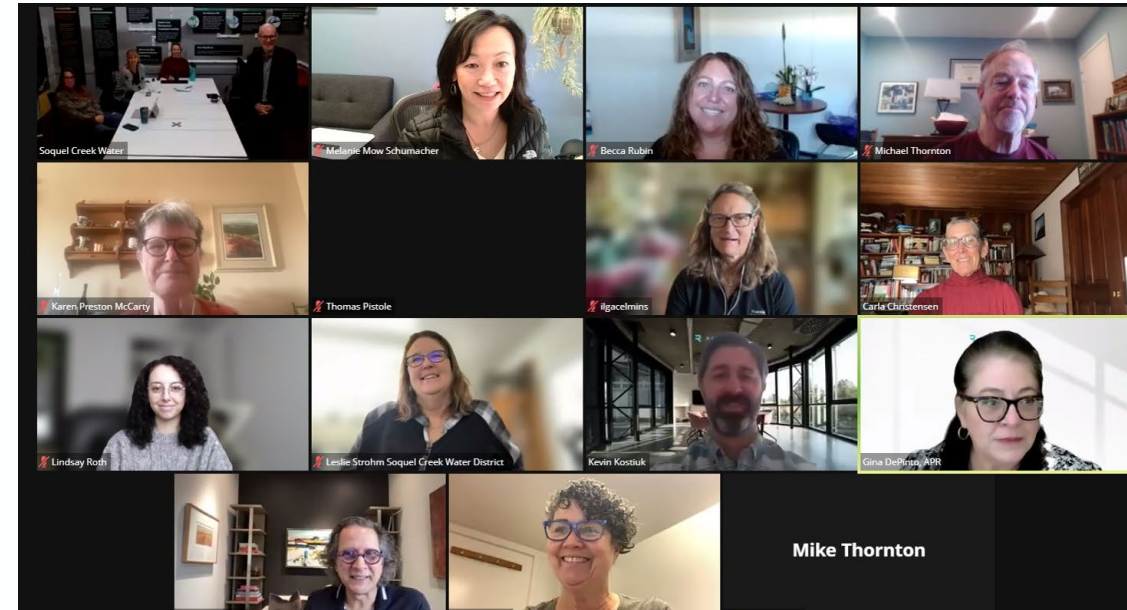


## Tours

# Water Rates Advisory Committee (WRAC)

## Ad-Hoc Water Rates Advisory Committee:

- Established in April to provide oversight and recommendations as part of 2023 Rate Study.
- Composed of 10 District customers and two Board Members, all who are ratepayers.
- Reviewed water rates structures and design details.
- Provided ideas, feedback, and recommendations to reflect the best for all customers.



***The WRAC Committee Members (along with District staff and our rate consultant, Raftelis) met for six months as part of the Rate Study process.***

# Presentation Overview

---

- Rate Study Recap
- Rate Alternatives
- Bill Impacts
- Schedule and Next Steps



# Rate Study Recap

- Policy Objectives
  - › 2023 Board of Directors policy statement prioritizing: financial sustainability, social equitability, and legal defensibility
- Financial Plan
  - › 10-year projection of estimated revenues and expenses
  - › Result: 12% overall rate revenue increases required each year of four-year rate plan
- Cost of Service Analysis
  - › All cost allocations, including basin sustainability, updated to reflect up-to-date revenue needs, cost structure, and user characteristics
- Rate Structure Modifications
  - › Revised two-tier and three-tier options for Residential customers
  - › Fixed revenue recovery options between 40% and 60%

# Rate Design Summary

- Both Residential rate alternatives differentiate Basin Sustainability costs between supplemental supply and basinwide benefit
- Impacts between the Revised Two Tier and Three Tier options are similar at the same level of use
- Impacts across users are driven by:
  - › The modification of the Residential rate structure and
  - › Higher or lower fixed revenue recovery
    - Lower fixed revenue recovery = lower impacts to low water
    - Higher fixed revenue recovery = higher impacts to low water

# Rate Design Alternatives



# Rate Design Options

- Water Rate Structure Alternatives:
  - › Revised Two-Tier rate structure
  - › Three-Tier rate structure
- Both alternatives are shown at three levels of fixed revenue recovery
  - › 40%
  - › 50%
  - › 60%
- ***All rates shown include a year-one 12% revenue increase***

# Revised Two-Tier Volumetric Rates (Including 12% Revenue Increase to Proposed Rates)

Customer Class	Current Rate (\$/HCF)	Proposed Rate 40% Fixed (\$/HCF)	Proposed Rate 50% Fixed (\$/HCF)	Proposed Rate 60% Fixed (\$/HCF)
<b>Residential</b>				
Tier 1 (0-5.99)	\$9.10	\$14.43	\$12.54	\$9.41
Tier 2 (6+)	\$41.23	\$20.51	\$17.99	\$14.69
<b>Commercial</b>	\$15.25	\$17.97	\$15.88	\$12.70
<b>Irrigation</b>	\$15.25	\$19.80	\$16.49	\$12.96

HCF = hundred cubic feet = 748 gals

# Three-Tier Volumetric Rates (Including 12% Revenue Increase to Proposed Rates)

Customer Class	Current Rate (\$/HCF)	Proposed Rate 40% Fixed (\$/HCF)	Proposed Rate 50% Fixed (\$/HCF)	Proposed Rate 60% Fixed (\$/HCF)
<b>Residential</b>				
Tier 1 (0-3.99)	\$9.10	\$14.24	\$12.50	\$9.41
Tier 2 (4-7.99)	\$41.23	\$16.05	\$13.73	\$10.48
Tier 3 (8+)	N/A	\$23.06	\$19.83	\$16.33
<b>Commercial</b>	\$15.25	\$17.97	\$15.88	\$12.70
<b>Irrigation</b>	\$15.25	\$19.80	\$16.49	\$12.96

HCF = hundred cubic feet = 748 gallons

## Monthly Fixed Charges for Residential & Commercial (Including 12% Revenue Increase)

Meter Size	Current Charge	Proposed Charge 40% Fixed	Proposed Charge 50% Fixed	Proposed Charge 60% Fixed
5/8" Restricted	\$30.43	<b>\$31.75</b>	<b>\$37.15</b>	<b>\$45.39</b>
5/8"	\$52.34	<b>\$54.47</b>	<b>\$65.26</b>	<b>\$81.74</b>
3/4"	\$52.34	<b>\$54.47</b>	<b>\$65.26</b>	<b>\$81.74</b>
1"	\$118.04	<b>\$122.61</b>	<b>\$149.58</b>	<b>\$190.78</b>
1.5"	\$227.53	<b>\$236.18</b>	<b>\$290.12</b>	<b>\$372.52</b>
2"	\$556.00	<b>\$576.88</b>	<b>\$711.74</b>	<b>\$917.75</b>
3"	\$1,103.48	<b>\$1,144.72</b>	<b>\$1,414.44</b>	<b>\$1,826.45</b>
4"	\$2,198.45	<b>\$2,280.39</b>	<b>\$2,819.83</b>	<b>\$3,643.86</b>
6"	\$3,512.39	<b>\$3,643.20</b>	<b>\$4,506.31</b>	<b>\$5,824.76</b>
8"	\$6,140.29	<b>\$6,368.82</b>	<b>\$7,879.26</b>	<b>\$10,186.54</b>

## 2 HCF Monthly Bill Impacts (Including 12% Revenue Increase to Proposed Rates)

<b>Revised Two-Tier</b>	<b>Current Bill</b>	<b>Proposed Bill</b>	<b>Difference (\$)</b>
Current Bill	\$70.54	-	-
40% Fixed	-	\$83.33	<b>\$12.79</b>
50% Fixed	-	\$90.34	<b>\$19.80</b>
60% Fixed	-	\$100.56	<b>\$30.02</b>

<b>Three-Tier</b>	<b>Current Bill</b>	<b>Proposed Bill</b>	<b>Difference (\$)</b>
Current Bill	\$70.54	-	-
40% Fixed	-	\$82.95	<b>\$12.41</b>
50% Fixed	-	\$90.26	<b>\$19.72</b>
60% Fixed	-	\$100.56	<b>\$30.02</b>

HCF = hundred cubic feet = 748 gallons

# 5 HCF Monthly Bill Impacts

## (Including 12% Revenue Increase to Proposed Rates)

Revised Two-Tier	Current Bill	Proposed Bill	Difference (\$)
Current Bill	\$97.84	-	-
40% Fixed	-	\$126.62	<b>\$28.78</b>
50% Fixed	-	\$127.96	<b>\$30.12</b>
60% Fixed	-	\$128.79	<b>\$30.95</b>

Three-Tier	Current Bill	Proposed Bill	Difference (\$)
Current Bill	\$97.84	-	-
40% Fixed	-	\$127.50	<b>\$29.66</b>
50% Fixed	-	\$129.00	<b>\$31.16</b>
60% Fixed	-	\$129.87	<b>\$32.03</b>

HCF = hundred cubic feet = 748 gallons

# 9 HCF Monthly Bill Impacts (Including 12% Revenue Increase to Proposed Rates)

Revised Two-Tier	Current Bill	Proposed Bill	Difference (\$)
Current Bill	\$230.95	-	-
40% Fixed	-	\$202.64	-\$28.31
50% Fixed	-	\$194.52	-\$36.43
60% Fixed	-	\$182.32	-\$48.63

Three-Tier	Current Bill	Proposed Bill	Difference (\$)
Current Bill	\$230.95	-	-
40% Fixed	-	\$198.78	-\$32.17
50% Fixed	-	\$190.08	-\$40.87
60% Fixed	-	\$177.70	-\$53.25

HCF = hundred cubic feet = 748 gallons

# Comparison of Monthly Bill Impacts

<b>Revised Two-Tier</b>	<b>2 HCF</b>	<b>5 HCF</b>	<b>9 HCF</b>
40% Fixed	\$12.79	\$28.78	-\$28.31
50% Fixed	\$19.80	\$30.12	-\$36.43
60% Fixed	\$30.02	\$30.95	-\$48.63

<b>Three-Tier</b>	<b>2 HCF</b>	<b>5 HCF</b>	<b>9 HCF</b>
40% Fixed	\$12.41	\$29.66	-\$32.17
50% Fixed	\$19.72	\$31.16	-\$40.87
60% Fixed	\$30.02	\$32.03	-\$53.25

# Proposed SFR Bills – Dollar per Day Impact at 2 HCF per Month

Revised Two-Tier	Current Bill	Year 1 Impact (\$ per day)	Year 2 Impact (\$ per day)	Year 3 Impact (\$ per day)	Year 4 Impact (\$ per day)
Current Bill	\$70.54				
40% Fixed		\$0.43	\$0.33	\$0.37	\$0.42
50% Fixed		\$0.66	\$0.36	\$0.40	\$0.45
60% Fixed		\$1.00	\$0.40	\$0.45	\$0.50

Three-Tier	Current Bill	Year 1 Impact (\$ per day)	Year 2 Impact (\$ per day)	Year 3 Impact (\$ per day)	Year 4 Impact (\$ per day)
Current Bill	\$70.54				
40% Fixed		\$0.41	\$0.33	\$0.37	\$0.42
50% Fixed		\$0.66	\$0.36	\$0.40	\$0.45
60% Fixed		\$1.00	\$0.40	\$0.45	\$0.50

- Bills shown assume a 5/8" meter

HCF = hundred cubic feet = 748 gallons

SFR = single family residential

# Proposed SFR Bills – Dollar per Day Impact at 5 HCF per Month

Revised Two-Tier	Current Bill	Year 1 Impact (\$ per day)	Year 2 Impact (\$ per day)	Year 3 Impact (\$ per day)	Year 4 Impact (\$ per day)
Current Bill	\$97.84				
40% Fixed		\$0.96	\$0.51	\$0.57	\$0.64
50% Fixed		\$1.00	\$0.51	\$0.57	\$0.64
60% Fixed		\$1.03	\$0.52	\$0.58	\$0.65

Three-Tier	Current Bill	Year 1 Impact (\$ per day)	Year 2 Impact (\$ per day)	Year 3 Impact (\$ per day)	Year 4 Impact (\$ per day)
Current Bill	\$97.84				
40% Fixed		\$0.99	\$0.51	\$0.57	\$0.64
50% Fixed		\$1.04	\$0.52	\$0.58	\$0.65
60% Fixed		\$1.07	\$0.52	\$0.58	\$0.65

- Bills shown assume a 5/8" meter

HCF = hundred cubic feet = 748 gallons

SFR = single family residential

# Proposed SFR Bills – Dollar per Day Impact at 9 HCF per Month

Revised Two-Tier	Current Bill	Year 1 Impact (\$ per day)	Year 2 Impact (\$ per day)	Year 3 Impact (\$ per day)	Year 4 Impact (\$ per day)
Current Bill	\$230.95				
40% Fixed		-\$0.94	\$0.81	\$0.91	\$1.02
50% Fixed		-\$1.21	\$0.78	\$0.87	\$0.98
60% Fixed		-\$1.62	\$0.73	\$0.82	\$0.91

Three-Tier	Current Bill	Year 1 Impact (\$ per day)	Year 2 Impact (\$ per day)	Year 3 Impact (\$ per day)	Year 4 Impact (\$ per day)
Current Bill	\$230.95				
40% Fixed		-\$1.07	\$0.80	\$0.89	\$1.00
50% Fixed		-\$1.36	\$0.76	\$0.85	\$0.95
60% Fixed		-\$1.78	\$0.71	\$0.80	\$0.89

- Bills shown assume a 5/8" meter

# Rate Design Summary

- Both Residential rate alternatives differentiate Basin Sustainability costs between supplemental supply and basinwide benefit
- Impacts between the Revised Two Tier and Three Tier options are similar at the same level of use
- Impacts across users are driven by:
  - › The modification of the Residential rate structure and
  - › Higher or lower fixed revenue recovery
    - Lower fixed revenue recovery = lower impacts to low water users
    - Higher fixed revenue recovery = higher impacts to low water users

# Public Meeting Schedule

Meeting	Date	Time	Location
Board of Directors Meeting	Tues. Oct. 17	6 p.m.	Capitola City Council Chambers
Rate Study Informational Webinar	Thurs. Nov. 16	6-7 p.m.	Virtual
Board of Directors Meeting	Mon. Nov. 20	6 p.m.	Capitola City Council Chambers
<b>Board of Directors Meeting</b>	<b>Tues. Dec. 5</b>	<b>6 p.m.</b>	<b>Capitola City Council Chambers</b>
Board of Directors Meeting	Tues. Dec. 19	6 p.m.	Capitola City Council Chambers
Notice to Customers	To be determined (TBD)		
Open House	TBD		
Public Hearing	TBD		

Today →



# Possible Board Actions

# Possible Board Actions

---

- Provide staff with direction regarding the proposed rate structures and return to the Board Meeting on December 19 to review the Draft Rate Study Report; or
- Take no action.



# Thank you

## Contacts:

Kevin Kostiuk – 213.262.9309 / [kkostiuk@raftelis.com](mailto:kkostiuk@raftelis.com)

Lindsay Roth – 213.262.9313 / [lroth@raftelis.com](mailto:lroth@raftelis.com)