

ORDINANCE NO. 24-01

AN ORDINANCE OF THE SOQUEL CREEK WATER DISTRICT ADOPTING INCREASES AND REVISIONS TO THE RATE STRUCTURE FOR WATER SERVICE CHARGES AND FINDING THE ACTION EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT UNDER PUBLIC RESOURCES CODE SECTION 21080(B)(8)

THIS ORDINANCE is adopted in light of the following facts and circumstances, which are hereby found and declared by the Soquel Creek Water District (the "District") Board of Directors:

WHEREAS, the District is organized pursuant to the County Water District Law (Water Code Section 30000 et seq.); and

WHEREAS, the District provides potable water to approximately 40,000 people through 16,250 water and fire service connections in the communities of Capitola, La Selva Beach, Opal Cliffs, Rio Del Mar, Seacliff, Seascape, Soquel, and portions of Aptos; and

WHEREAS, the District may charge and collect water rates under Water Code section 31025 and Health and Safety Code section 5471 and other applicable law; and

WHEREAS, the District relies on water from wells that pump groundwater to the surface, and more water is being pumped than is being replenished through rainwater resulting in lowering of the water table; and

WHEREAS, portions of the water table are near the coastline, and lowering of the water table is especially critical due to risks of seawater intrusion that could impact the quality of drinking water; and

WHEREAS, the last several years in California have been marked by periods of severe drought and fluctuating levels of water availability, further driving the need to protect the District's water supply; and

WHEREAS, consequently, one of the District's most critical projects is Pure Water Soquel, which provides a sustainable, drought-resilient supply of water that is available year-round to supplement the District's overdrafted groundwater supply and prevent seawater intrusion; and

WHEREAS, aside from Pure Water Soquel, the District also has approximately \$29.3 million in capital expenditures over the next four fiscal years and \$80.2 million over the ten-year financial planning period, including water main replacements, treatment facility upgrades, storage tank recoats, and other projects as identified in the District's long-term capital improvement plan; and

WHEREAS, in addition, the District is experiencing increased costs to deliver clean and reliable water to customers, including as a result of inflation and general cost increases; and

WHEREAS, in order to determine the revenue necessary to fund the District's increased costs, pay fund costs associated with Pure Water Soquel, provide revenue stability, as well as to ensure such costs are fairly and equitably allocated in proportion to the cost of service and in accordance with all other requirements of article XIII D, section 6 of the California Constitution, the District engaged an independent rate consultant, Raftelis ("Raftelis"), to perform a cost of service analysis and water rate study ("Study") and evaluate the infrastructure, reserves, debt service, and operations and maintenance costs of the District's water services and the rates necessary to recover the costs of those services for the next four years; and

WHEREAS, the Study, a copy of which is on file with the Clerk, forms the basis for the water rates and charges to be adopted by the Board of Directors pursuant to this Ordinance, and indicates the need to increase the existing rates for the District's water rates and charges; and

WHEREAS, the Study is based on an extensive analysis of District-specific data, including a review of water usage patterns, costs and increases.

WHEREAS, the water rate structure has multiple customer categories – residential (single-family residential and multi-family residential), commercial, and industrial – and two components – a fixed service charge and a water volumetric rate; and

WHEREAS, the water service charge is a fixed monthly charge calculated to recover a portion of the District's fixed costs associated with meter maintenance and servicing, customer support, extra capacity, public fire protection, and basin-wide sustainability, and are established on the basis of the size of the meter serving a property and customer classification; and

WHEREAS, certain customers have a private fire protection line installed on their property, and such customers are subject to a separate monthly private fire protection line service charge, established based on the size of the private fireline; and

WHEREAS, the volumetric rate is a variable charge imposed per unit of delivered water, with one unit equal to one hundred cubic feet ("HCF"), or 748 gallons; and

WHEREAS, the volumetric rate is uniform for commercial and irrigation customers; and

WHEREAS, the volumetric rate is imposed based on three inclining tiers, which are based on an analysis of the District's actual residential seasonal demand patterns and the extrapolation of efficient indoor and outdoor use for a typical household; and

WHEREAS, the volumetric rate is derived based on three cost components – variable supply costs, delivery costs, and direct costs incurred related to conservation including rebates; and

WHEREAS, the District's least expensive water supply is groundwater and is allocated to the first tier, and supplemental water is provided through Pure Water Soquel and allocated to the highest tier; and

WHEREAS, the second tier represents a blended rate of groundwater and the costs associated with Pure Water Soquel; and

WHEREAS, conservation costs are allocated to the third tier, because such costs are incurred as a result of higher levels of water usage reflected in the third tier; and

WHEREAS, water supply shortages and periods of mandatory conservation can have significant impacts on the District's financial stability, staffing, and planning, and water sales reductions may impact the ability to continue to provide water service; and

WHEREAS, the District relies solely on local groundwater from the Mid-County basin and, when less water is pumped and produced, the District generates less revenue; and

WHEREAS, the District has significant fixed costs, including operations, maintenance, routine capital, and debt service, which must still be paid regardless of whether water sales are reduced; and

WHEREAS, in 2020, the District adopted a Water Shortage Plan to address the impacts of drought conditions, and the District further proposes to adopt emergency water rates designed to ensure the District has sufficient revenue in the event of a declared water shortage event to pay for fixed costs of the District less avoided costs not incurred due to reduced water sales (such as hypochlorite and power costs); and

WHEREAS, the water rate structure is designed to proportionately allocate the cost of service to each parcel, will generate sufficient revenue to provide water service, and such revenues will be used only for providing water service to parcels within the District; and

WHEREAS, the District's ad hoc Water Rates Advisory Committee, composed of two Directors who invited ten District ratepayers to participate in Committee members, reviewed water rate structures and design details, met with ratepayer representatives and otherwise provided recommendations and input to District staff and Raftelis on the proposed water rates; and

WHEREAS, past meetings and outreach events about the proposed water rates include a Board of Directors meeting on October 17, 2023, outreach at the Aptos Farmers Market on October 21, 2023, a virtual water rates webinar on November 16, 2023, and a Board of Directors meeting on November 20, 2023; and

WHEREAS, at the December 5, 2023 Board Meeting, District staff and Raftelis presented on water rate structure alternatives; and

WHEREAS, the Water Rate Study Executive Summary was issued December 15, 2023; and

WHEREAS, at the December 19, 2023 Board Meeting, the Board reviewed the Study Report Summary, the proposed rates, and directed staff to publish and mail notices of the public hearing to consider the adoption of the water rates and charges ("Proposition 218 Notice"); and

WHEREAS, the Proposition 218 Notice was mailed to the record owner of any parcel upon which the water rates and charges were proposed for imposition, and any tenant who is directly liable for the payment of water rates and charges (i.e.. a customer of record who is not a property owner); and

WHEREAS, the Proposition 218 Notice described the reasons for the increased rates, the basis upon which they are calculated, the amount of the rates, information on the public hearing, notice of the 120 day statute of limitations for challenging the rates, and additional information as required by law and/or for the benefit of ratepayers; and

WHEREAS, the Proposition 218 Notice was mailed on January 4, 2024, not less than 45 days prior to the public hearing on the proposed water rates and charges; and

WHEREAS, the final Study was posted on the District's website on January 10, 2024; and

WHEREAS, the District held a virtual webinar on January 25, 2024 and an in person two-hour open house on February 8, 2024, and invited the public to join the District and Raftelis to learn more about the proposed water rates and charges and ask questions; and

WHEREAS, the District has posted the Study Report Summary, final Study, Proposition 218 Notice, Board of Directors agenda packets and presentations, and frequently asked questions on a District webpage dedicated to water rates and fees; and

WHEREAS, the Board of Directors held a public hearing on February 20, 2024, which is at least 45 days after the District mailed the Proposition 218 Notice, to consider the proposed water rates and charges, and at the public hearing the Board of Directors considered the Study, heard all oral testimony and considered all written materials and written protests concerning the adoption and imposition of, and the proposed increases and adjustments to the rates for the water rates and charges; and

WHEREAS, at the close of the public hearing, the District did not receive written protests against the establishment and imposition of the proposed rates and charges from a majority of the record owners of the parcels upon which the rates and charges are proposed for imposition or tenants directly liable for the payment of the water rates and charges; and

WHEREAS, the Board of Directors is authorized and has determined to approve the proposed water rates and charges and act accordingly on the matter.

NOW THEREFORE, THE BOARD OF DIRECTORS OF THE SOQUEL CREEK WATER DISTRICT DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Recitals

The above recitals are true and correct and are incorporated herein by this reference.

Section 2. Approval of Maximum Rates

The Board of Directors has evaluated and hereby approves the maximum rates and charges for water service, as set forth in Exhibit A, attached hereto and incorporated herein by this reference.

Section 3: Findings

The Board of Directors hereby makes the following findings, based on the evidence set forth in the Study, which by this reference is incorporated herein:

(1) Revenues derived from the water rates and charges do not exceed the funds required to provide water service.

(2) Revenues derived from the water rates and charges will not be used for any purpose other than that for water service.

(3) The amount of a water rate and charge imposed upon any parcel or person as an incident of property ownership does not exceed the proportional cost of the service attributable to the parcel.

(4) No water rate or charge will be imposed for water service unless water service is actually used by, or immediately available to, the property owner.

(5) No water rate or charge is imposed for general governmental services.

Section 4: Conflicting Provisions

To the extent any water rates and charges established by this Ordinance are inconsistent with any water rates or charges previously adopted by the Board of Directors, it is the explicit intention of the Board of Directors that the water rates and charges adopted pursuant to this Ordinance shall prevail.

Section 5: CEQA

The Board of Directors hereby finds that the administration, operation, maintenance, and improvements of the District water system, which are to be funded by the water rates and charges, are necessary to maintain water service within the District's existing service area. The Board of Directors further finds that such rates and charges are necessary and reasonable to fund the administration, operation, maintenance, and improvements of the District water system. The Ordinance serves to obtain funds for capital projects necessary to maintain service within existing service areas; the Ordinance does not establish any rate increases to fund capital projects for the expansion of a system. The Ordinance will also provide funding for the operation of the Pure Water Soquel project, which has already been subject to environmental review, has already been approved, and is currently under construction. The Ordinance does not serve to expand or increase the scope of the Pure Water Soquel project. Based on these findings, the Board of Directors hereby determines that this Ordinance is statutorily exempt from the requirements of CEQA pursuant to California Public Resources Code section 21080(b)(8) and State CEQA Guidelines section 15273(a). The documents and materials that constitute the record of proceedings on which these findings have been based are located at 5180 Soquel Drive, Soquel, CA 95073. The custodian for these records is the Clerk of the Board of Directors.

Section 6: Severability

If any section, subsection, provision or part of this Ordinance, or its application to any person or circumstance, is held to be unconstitutional or otherwise invalid, the remainder of this Ordinance, and the application of such provision to other persons or circumstances, shall not be affected thereby and shall remain in full force and effect and, to that end, the provisions of this Ordinance are severable.

Section 7: Effective Date

This Ordinance shall become effective upon its adoption and shall be published as required by Water Code section 31027.

Section 8: Implementation

The General Manager or his or her designee is hereby authorized to take all actions necessary to implement this Ordinance.

ADOPTED this 20th day of February, 2024, by the Board of Directors of the Soquel Creek Water District by the following vote:

AYES: Directors, Jaffe, Lather, Balboni, Laltue and Christensen

NOES: None

ABSENT: None

ABSTAIN: None

APPROVED:



Dr. Bruce Jaffe,
President of the Board of Directors

ATTEST:



Emma Western,
Clerk of the Board of Directors

Exhibit A

(SEE SCHEDULES A, B, D, AND O ATTACHED)

**SOQUEL CREEK WATER DISTRICT
SCHEDULE A**

MONTHLY SINGLE FAMILY RESIDENTIAL SERVICE CHARGE

<u>Meter Size</u>	<u>Current</u>	<u>Mar-1 2024</u>	<u>Proposed Jan-1 2025</u>	<u>Proposed Jan-1 2026</u>	<u>Proposed Jan-1 2027</u>
5/8-inch restricted	\$30.43	\$44.74	\$50.11	\$56.13	\$62.87
5/8-inch	\$52.34	\$80.44	\$90.10	\$100.92	\$113.04
1-inch	\$118.04	\$187.55	\$210.06	\$235.27	\$263.51

MONTHLY MULTI-FAMILY RESIDENTIAL SERVICE CHARGE

<u>Meter Size</u>	<u>Current</u>	<u>Mar-1 2024</u>	<u>Proposed Jan-1 2025</u>	<u>Proposed Jan-1 2026</u>	<u>Proposed Jan-1 2027</u>
5/8-inch restricted	\$30.43	\$44.74	\$50.11	\$56.13	\$62.87
5/8-inch	\$52.34	\$80.44	\$90.10	\$100.92	\$113.04
1-inch	\$118.04	\$187.55	\$210.06	\$235.27	\$263.51
1-1/2 inch	\$227.53	\$366.05	\$409.98	\$459.18	\$514.29
2- inch	\$556.00	\$901.56	\$1,009.75	\$1,130.92	\$1,266.64
3-inch	\$1,103.48	\$1,794.09	\$2,009.39	\$2,250.52	\$2,520.59
4-inch	\$2,198.45	\$3,579.13	\$4,008.63	\$4,489.67	\$5,028.44
6-inch	\$3,512.39	\$5,721.19	\$6,407.74	\$7,176.67	\$8,037.88
8-inch	\$6,140.29	\$10,005.30	\$11,205.94	\$12,550.66	\$14,056.74

MONTHLY COMMERCIAL SERVICE CHARGE

<u>Meter Size</u>	<u>Current</u>	<u>Mar-1 2024</u>	<u>Proposed Jan-1 2025</u>	<u>Proposed Jan-1 2026</u>	<u>Proposed Jan-1 2027</u>
5/8-inch restricted	\$30.43	\$44.74	\$50.11	\$56.13	\$62.87
5/8-inch	\$52.34	\$80.44	\$90.10	\$100.92	\$113.04
1-inch	\$118.04	\$187.55	\$210.06	\$235.27	\$263.51
1-1/2 inch	\$227.53	\$366.05	\$409.98	\$459.18	\$514.29
2- inch	\$556.00	\$901.56	\$1,009.75	\$1,130.92	\$1,266.64
3-inch	\$1,103.48	\$1,794.09	\$2,009.39	\$2,250.52	\$2,520.59
4-inch	\$2,198.45	\$3,579.13	\$4,008.63	\$4,489.67	\$5,028.44
6-inch	\$3,512.39	\$5,721.19	\$6,407.74	\$7,176.67	\$8,037.88
8-inch	\$6,140.29	\$10,005.30	\$11,205.94	\$12,550.66	\$14,056.74

MONTHLY IRRIGATION AND OUTDOOR USE SERVICE CHARGE

<u>Meter Size</u>	<u>Current</u>	<u>Mar-1 2024</u>	<u>Proposed Jan-1 2025</u>	<u>Proposed Jan-1 2026</u>	<u>Proposed Jan-1 2027</u>
5/8-inch restricted	\$39.36	\$62.74	\$70.27	\$78.71	\$88.16
5/8-inch	\$70.20	\$116.43	\$130.41	\$146.06	\$163.59
1-inch	\$162.71	\$277.52	\$310.83	\$348.13	\$389.91
1-1/2 inch	\$316.90	\$545.99	\$611.51	\$684.90	\$767.09
2- inch	\$779.44	\$1,351.42	\$1,513.60	\$1,695.24	\$1,898.67
3-inch	\$1,550.33	\$2,693.80	\$3,017.06	\$3,379.11	\$3,784.61
4-inch	\$3,092.14	\$5,378.55	\$6,023.98	\$6,746.86	\$7,556.49
6-inch	\$4,942.30	\$8,600.26	\$9,632.30	\$10,788.18	\$12,082.77
8-inch	\$8,642.63	\$15,043.68	\$16,848.93	\$18,870.81	\$21,135.31

(This Schedule is effective from and after March 1, 2024)

**SOQUEL CREEK WATER DISTRICT
SCHEDULE B**

SINGLE FAMILY RESIDENTIAL – WATER QUANTITY RATES

<u>Previous Tier Threshold: Unit*</u>	<u>Previous</u>	<u>Current Tier Threshold: Unit*</u>	<u>Mar-1 2024</u>	<u>Proposed Jan-1 2025</u>	<u>Proposed Jan-1 2026</u>	<u>Proposed Jan-1 2027</u>
1-5.99 units	\$9.10	1-3.99 units	\$9.16	\$10.26	\$11.50	\$12.88
6+ units	\$41.23	4-7.99 units	\$10.27	\$11.51	\$12.90	\$14.45
		8+ units	\$16.22	\$18.17	\$20.35	\$22.79

*unit = 748 gallons

**MULTI-FAMILY RESIDENTIAL – WATER QUANTITY RATES
(Tiers apply per dwelling unit)**

<u>Previous Tier Threshold: Unit*</u>	<u>Previous</u>	<u>Current Tier Threshold: Unit*</u>	<u>Mar-1 2024</u>	<u>Proposed Jan-1 2025</u>	<u>Proposed Jan-1 2026</u>	<u>Proposed Jan-1 2027</u>
1-5.99 units	\$9.10	1-3.99 units	\$9.16	\$10.26	\$11.50	\$12.88
6+ units	\$41.23	4-7.99 units	\$10.27	\$11.51	\$12.90	\$14.45
		8+ units	\$16.22	\$18.17	\$20.35	\$22.79

*unit = 748 gallons

COMMERCIAL – WATER QUANTITY RATES

	<u>Previous</u>	<u>Mar-1 2024</u>	<u>Proposed Jan-1 2025</u>	<u>Proposed Jan-1 2026</u>	<u>Proposed Jan-1 2027</u>
Flat rate unit	\$15.25	\$12.56	\$14.07	\$15.76	\$17.66

*unit = 748 gallons

IRRIGATION/OUTDOOR USE – WATER QUANTITY RATES

	<u>Previous</u>	<u>Mar-1 2024</u>	<u>Proposed Jan-1 2025</u>	<u>Proposed Jan-1 2026</u>	<u>Proposed Jan-1 2027</u>
Flat rate unit	\$15.25	\$12.84	\$14.39	\$16.12	\$18.06

*unit = 748 gallons

(This Schedule is effective from and after March 1, 2024)

**SOQUEL CREEK WATER DISTRICT
SCHEDULE D**

MONTHLY PRIVATE FIRE PROTECTION SERVICE CHARGES

<u>Meter Size</u>	<u>Previous</u>	<u>Mar-1 2024</u>	<u>Proposed</u> <u>Jan-1 2025</u>	<u>Proposed</u> <u>Jan-1 2026</u>	<u>Proposed</u> <u>Jan-1 2027</u>
1-inch	\$1.71	\$2.48	\$2.78	\$3.12	\$3.50
1 ½ -inch	\$4.92	\$7.20	\$8.07	\$9.04	\$10.13
2-inch	\$10.43	\$15.33	\$17.17	\$19.24	\$21.55
3-inch	\$30.22	\$44.52	\$49.87	\$55.86	\$62.57
4-inch	\$64.40	\$94.88	\$106.27	\$119.03	\$133.32
6- inch	\$187.02	\$275.59	\$308.67	\$345.72	\$387.21
8- inch	\$398.50	\$587.28	\$657.76	\$736.70	\$825.11

(This Schedule is effective from and after March 1, 2024)

**SOQUEL CREEK WATER DISTRICT
SCHEDULE O**

**EMERGENCY WATER QUANTITY RATES
SINGLE FAMILY RESIDENTIAL AND MULTI-FAMILY RESIDENTIAL**

<u>Tiers</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>	<u>Stage 5</u>
	<u>Water</u>	<u>Water</u>	<u>Emergency</u>	<u>Severe</u>	<u>Critical</u>
	<u>Shortage</u>	<u>Shortage</u>	<u>Water</u>	<u>Water</u>	<u>Water</u>
	<u>Alert</u>	<u>Warning</u>	<u>Shortage</u>	<u>Shortage</u>	<u>Shortage</u>
Cost Per Unit* March 1, 2024					
Tier 1	\$9.61	\$10.73	\$12.16	\$14.04	\$18.20
Tier 2	\$10.78	\$12.03	\$13.63	\$15.74	\$20.40
Tier 3	\$17.02	\$19.00	\$21.53	\$24.85	\$32.22
Cost Per Unit* January 1, 2025					
Tier 1	\$10.76	\$12.02	\$13.62	\$15.72	\$20.38
Tier 2	\$12.07	\$13.47	\$15.27	\$17.63	\$22.85
Tier 3	\$19.06	\$21.28	\$24.11	\$27.83	\$36.09
Cost Per Unit* January 1, 2026					
Tier 1	\$12.05	\$13.46	\$15.25	\$17.61	\$22.83
Tier 2	\$13.52	\$15.09	\$17.10	\$19.74	\$25.59
Tier 3	\$21.35	\$23.83	\$27.01	\$31.17	\$40.42
Cost Per Unit* January 1, 2027					
Tier 1	\$13.50	\$15.07	\$17.08	\$19.73	\$25.57
Tier 2	\$15.15	\$16.90	\$19.15	\$22.11	\$28.66
Tier 3	\$23.91	\$26.69	\$30.25	\$34.91	\$45.27

*unit = 748 gallon

(This Schedule is effective from and after March 1, 2024)

**EMERGENCY WATER QUANTITY RATES
COMMERCIAL**

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>	<u>Stage 5</u>
	<u>Water</u>	<u>Water</u>	<u>Emergency</u>	<u>Severe</u>	<u>Critical</u>
	<u>Shortage</u>	<u>Shortage</u>	<u>Water</u>	<u>Water</u>	<u>Water</u>
	<u>Alert</u>	<u>Warning</u>	<u>Shortage</u>	<u>Shortage</u>	<u>Shortage</u>
Cost Per Unit* March 1, 2024					
Flat Rate	\$13.18	\$14.71	\$16.67	\$19.24	\$24.95
Cost Per Unit* January 1, 2025					
Flat Rate	\$14.76	\$16.48	\$18.67	\$21.55	\$27.94
Cost Per Unit* January 1, 2026					
Flat Rate	\$16.53	\$18.45	\$20.91	\$24.13	\$31.30
Cost Per Unit* January 1, 2027					
Flat Rate	\$18.52	\$20.67	\$23.42	\$27.03	\$35.05

*unit = 748 gallons

**EMERGENCY WATER QUANTITY RATES
IRRIGATION AND OUTDOOR USE**

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>	<u>Stage 5</u>
	<u>Water</u>	<u>Water</u>	<u>Emergency</u>	<u>Severe</u>	<u>Critical</u>
	<u>Shortage</u>	<u>Shortage</u>	<u>Water</u>	<u>Water</u>	<u>Water</u>
	<u>Alert</u>	<u>Warning</u>	<u>Shortage</u>	<u>Shortage</u>	<u>Shortage</u>
Cost Per Unit* March 1, 2024					
Flat Rate	\$13.47	\$15.04	\$17.04	\$19.67	\$25.51
Cost Per Unit* January 1, 2025					
Flat Rate	\$15.09	\$16.84	\$19.08	\$22.03	\$28.57
Cost Per Unit* January 1, 2026					
Flat Rate	\$16.90	\$18.87	\$21.37	\$24.67	\$32.00
Cost Per Unit* January 1, 2027					
Flat Rate	\$18.92	\$21.13	\$23.94	\$27.63	\$35.84

*unit = 748 gallons