



Safe, Reliable Water Now and Into the Future

Dear Neighbor,

The Soquel Creek Water District takes great pride in providing you with safe, high quality water service that is essential to your everyday life.

Beyond uses for fire protection and sanitation, water is a shared community resource that gives us parks to play in and helps us grow food in our gardens. It is a big responsibility and the employees who serve you are dedicated and take great pride in their work.

An equally important responsibility is ensuring our ability to continue to provide you and your family with water now and into the future. This requires careful analysis and planning, and I'm happy to report that the public rate study process to fund water reliability and resiliency that began earlier this year is nearing completion.

The proposed revised rate structure is partially driven by the District's guiding principle of increased equitability and fairness and the input of the customers participating on the Water Rates Advisory Committee. The rate study analysis and the District's total revenue needs per year result in the proposed water rate adjustments shown in this Notice. The rates were developed to adhere to state law, improve financial stability, and to be fair to all customers.

This Notice summarizes the findings of this work and notifies you of proposed changes to the water rate structure (how you are charged for water) and the proposed rates themselves (how much you are charged for water) that, if approved by the Board of Directors, would be adjusted in March.

The District Board of Directors will consider adopting these recommendations at a Public Hearing scheduled for Tuesday, February 20 at 6 pm.

Prior to that, we invite you to join us for a virtual community meeting on Thursday, January 25, and an open house on Thursday, February 8 where we will detail proposed changes to our water rate structure and answer your questions. Details about these events are enclosed.

Our thanks to all who participated in the rate study process to date, especially the customers involved with the Water Rates Advisory Committee who provided feedback to staff and the Board of Directors. The feedback was extremely valuable and helped us make an inclusive plan that will help ensure water security for years to come.

Sincerely,

Ron Duncan | General Manager

Leslie Strohm | Financial/Business Services Manager



QUESTIONS ABOUT THIS NOTICE AND PROPOSED RATES?

If you have questions about this Notice, proposed rates, or your water service, the District is hosting two information sessions:

Webinar

6 pm Thurs., January 25, 2024

Join by Zoom: shorturl.at/dgiU5 (this link is available on the rate study website, accessed with the enclosed QR Code)



Webinar ID:
811 1124 3689

Passcode:
679074

Or, join by phone:
(669) 900-6833 or
(669) 444-9171

Open House

6-8 pm Thurs., February 8, 2024
Temple Beth El Jewish Community
Center of Santa Cruz
3055 Porter Gulch Road
Aptos, CA 95003

Notification of a Public Hearing on Proposed Water Rate Changes, Including Service Charges, for All Customers, Property Owners, and Tenants of Real Property in Soquel Creek Water District

This legal notice contains important information regarding water rates necessary for providing treated potable water to the communities of Capitola, La Selva Beach, Opal Cliffs, Rio Del Mar, Seacliff, Seascape, Soquel, and portions of Aptos. This notice is being furnished to you by the Soquel Creek Water District pursuant to the California Constitution, Article XIII D (also known as "Proposition 218"). Under the terms of Proposition 218, the District is required to notify you of proposed changes to property-related fees, such as water service rates and charges, 45 days prior to holding a Public Hearing. The proposed water rates will ensure the District collects sufficient revenue to cover operating and capital expenses to maintain reliable service and run the water utility efficiently and consistently with industry standards.

This letter serves as notice that the District will hold a Public Hearing to consider changes to its current water rates on:

Tuesday, February 20, 2024, 6 pm
Soquel Creek Water District Board of Directors
Capitola City Council Chambers
420 Capitola Avenue, Capitola, CA 95010

Any interested person(s) may present verbal and/or written input to the Board of Directors on the proposed changes to water rates and service charges and the Board will consider all protests; however, state law provides that only written protests of customers, property owners, or tenants of real property responsible for charges in Soquel Creek Water District shall be counted to determine if a majority protest to the proposed rates and charges exists. If adopted, proposed water rate adjustments would become effective on March 1, 2024, with annual rate adjustments each January 1 through 2027. For more information about the Public Hearing process and how to protest rate changes, please refer to the end of this Notice.

Why Are Water Rate Adjustments Needed?

The water supply that Soquel Creek Water District customers rely on comes from wells that pump groundwater to the surface. This water supply has been impacted primarily by two challenges. First, more water is consumed, or pumped out, than can be replenished by rainfall, which leads to a lowering of the water table. The lowering of the water table near the coastline causes seawater to move inland underground and infiltrate the fresh water aquifers, thus contaminating our drinking water.

This is why we continue to invest in our critical infrastructure to protect our water supply and preserve water quality. Our services are funded primarily by the water rates customers pay, which ensures our ability to deliver sustainable, high-quality, reliable water. Revenue from water rates can only be used to fund the

actual costs of operating and maintaining the water system. This includes infrastructure projects, reserves, and the cost of debt to finance capital improvement projects.

Our costs to deliver the water service that customers expect are rising and changing. We are not alone; utility costs are increasing across California. While the District is dedicated to keeping water rates low by maintaining lean staffing, seeking grants and low-interest loans, and using reserves when necessary, costs continue to rise for critical capital projects as well as for energy, fuel, equipment, parts, labor, and meeting regulatory requirements. Just like any business, as costs rise, our rates and charges must rise to reflect the cost of providing the service.

The District depends on water sales to fund the system that pumps, treats, and delivers safe, reliable water to you. Lower water sales, such as during droughts, groundwater emergencies, extensive rains, and lower winter demand, lead to lower revenues. Lower revenues are a challenge because most of the costs associated with building and maintaining a water system are fixed, no matter how much water is pumped and treated. The proposed rate adjustment increases the fixed service charges collected consistently throughout the year while setting three tiers resulting in a lower average rate customers pay per unit of water used.

With help from an independent consultant, a rate study was performed to assess the District's revenue needs. The proposed rates are determined based on the projected revenue needed to fund:

- **Operations and Maintenance**, such as labor, power, chemicals, supplies, wells, and equipment for monitoring, replenishing and extracting groundwater
- **Capital Investment**, such as infrastructure projects to repair/replace pipes, wells, and pumps
- **Debt Service** to pay back low-interest loans
- **Reserves** to meet minimum debt requirements and fund emergency/unplanned expenses

The Capital Improvement Program (CIP) lays out short- and long-term infrastructure projects needed to continue delivering high-quality water to our community. One of the most critical projects is Pure Water Soquel (PWS), which provides a sustainable, drought-resilient supply of water that is available year-round to supplement our overdrafted groundwater supply and prevents seawater intrusion from moving farther inland and contaminating drinking water wells. Capital construction costs for PWS are approximately \$145 million, for which the District has secured grants of more than \$95 million, plus very favorable low-interest loans from the State of California and the United States Environmental Protection Agency

(U.S. EPA) to cover the remaining portion of the capital construction cost of PWS project.

Proposed Water Rate Changes

Your monthly water bill is made up of two types of charges:

1. **Water Volumetric Rate:** The volumetric rate is the price per unit of water used, and is based on a tiered structure. A unit of water is 748 gallons, or one hundred cubic feet (HCF). The District is proposing a three-tier structure instead of the current two-tier structure. The modified rate structure will provide for seasonal demands for typical homes and provide relief for larger, but efficient, families in the service area.
2. **Fixed Service Charge:** The charge varies depending on meter size and customer classification (Single-Family Residential (SFR), Multi-Family Residential (MFR), Commercial, or Irrigation). The proposed fixed service charge includes District costs associated with meter maintenance and servicing, customer support, extra-capacity, public fire protection, and basin-wide sustainability. These fixed service charges are based on the size of the service meter or, in the absence of a physical meter, the size of the service line.

Proposed Four Years of Water Rates and Charges

The proposed revised rate structure is partially driven by the District's guiding principles of increased equitability and fairness. The rate study analysis and the District's total revenue needs per year result in the proposed water rate adjustments shown in the following tables. Customer rates and charges differ depending on the meter size and water use. All customers pay a monthly volumetric (usage) rate and water service charge. The rates were developed to adhere to state law, improve financial stability, and be fair to all customers.

Note: A Rate Calculator is being added to the website to estimate your bill by water use. Costs may vary by the number of people in your home, landscape size, and month.



Table 1: Proposed Monthly Four-Year Volumetric Rates

Table 1 shows current and proposed water volumetric rates for Residential (including Single-Family Residential (SRF), Multi-Family Residential (MFR) by dwelling unit), Commercial, and Irrigation customers. The volumetric water use rate is in dollars per hundred cubic feet (\$/HCF). **Note:** The proposed three tier structure creates an intermediary tier and reduces the Tier I allotment from 1-5.99 units to 1-3.99 units.

Tier & Customer Class	Current	3/1/2024	1/1/2025	1/1/2026	1/1/2027
Residential (per Dwelling Unit)					
Tier 1 (0-3.99 units)	\$9.10	\$9.16	\$10.26	\$11.50	\$12.88
Tier 2 (4-7.99 units)	\$41.23	\$10.27	\$11.51	\$12.90	\$14.45
Tier 3 (8+ units)	N/A	\$16.22	\$18.17	\$20.35	\$22.79
Commercial	\$15.25	\$12.56	\$14.07	\$15.76	\$17.66
Irrigation	\$15.25	\$12.84	\$14.39	\$16.12	\$18.06

Table 2: Proposed Monthly Four-Year Fixed Service Charges by Meter Size

Table 2 shows the proposed monthly fixed service charge by meter size per customer class over the next four years. Most Single-Family Residential water customers have a 5/8-inch metered connection.

Meter Size	Current	3/1/2024	1/1/2025	1/1/2026	1/1/2027
Residential & Commercial					
5/8" Restricted	\$30.43	\$44.74	\$50.11	\$56.13	\$62.87
5/8"	\$52.34	\$80.44	\$90.10	\$100.92	\$113.04
1"	\$118.04	\$187.55	\$210.06	\$235.27	\$263.51
1.5"	\$227.53	\$366.05	\$409.98	\$459.18	\$514.29
2"	\$556.00	\$901.56	\$1,009.75	\$1,130.92	\$1,266.64
3"	\$1,103.48	\$1,794.09	\$2,009.39	\$2,250.52	\$2,520.59
4"	\$2,198.45	\$3,579.13	\$4,008.63	\$4,489.67	\$5,028.44
6"	\$3,512.39	\$5,721.19	\$6,407.74	\$7,176.67	\$8,037.88
8"	\$6,140.29	\$10,005.30	\$11,205.94	\$12,550.66	\$14,056.74
Irrigation					
5/8" Restricted	\$39.36	\$62.74	\$70.27	\$78.71	\$88.16
5/8"	\$70.20	\$116.43	\$130.41	\$146.06	\$163.59
1"	\$162.71	\$277.52	\$310.83	\$348.13	\$389.91
1.5"	\$316.90	\$545.99	\$611.51	\$684.90	\$767.09
2"	\$779.44	\$1,351.42	\$1,513.60	\$1,695.24	\$1,898.67
3"	\$1,550.33	\$2,693.80	\$3,017.06	\$3,379.11	\$3,784.61
4"	\$3,092.14	\$5,378.55	\$6,023.98	\$6,746.86	\$7,556.49
6"	\$4,942.30	\$8,600.26	\$9,632.30	\$10,788.18	\$12,082.77
8"	\$8,642.63	\$15,043.68	\$16,848.93	\$18,870.81	\$21,135.31

Table 3: Proposed Monthly Four-Year Private Fire Protection Rates

Table 3 shows private fire charges that are only applicable to those accounts with private fire protection (these charges do not apply to most single-family homes).

Meter Size	Current	3/1/2024	1/1/2025	1/1/2026	1/1/2027
1"	\$1.71	\$2.48	\$2.78	\$3.12	\$3.50
1.5"	\$4.92	\$7.20	\$8.07	\$9.04	\$10.13
2"	\$10.43	\$15.33	\$17.17	\$19.24	\$21.55
3"	\$30.22	\$44.52	\$49.87	\$55.86	\$62.57
4"	\$64.40	\$94.88	\$106.27	\$119.03	\$133.32
6"	\$187.02	\$275.59	\$308.67	\$345.72	\$387.21
8"	\$398.50	\$587.28	\$657.76	\$736.70	\$825.11

Table 4: Proposed Customer Bill Impacts

Table 4 shows a Single-Family Residential (SFR) monthly water bill impact for 2024 based on a 5/8" meter at various levels of water use. 1 HCF = 748 gallons = 1 unit of water

Water Use	2 HCF	5 HCF	7 HCF	9 HCF
Current Bill	\$70.54	\$97.84	\$148.49	\$230.95
Proposed Bill	\$98.76	\$127.36	\$147.90	\$174.45
Bill Impact	\$28.22	\$29.52	-\$0.59	-\$56.50

Table 5: Proposed Water Shortage Emergency Rates

Emergency Water Rates can be enacted by the Board of Directors in the event of an unexpected need to decrease water consumption for such things as water shortages, drought, natural disasters, or other emergencies. Based on stages calibrated to water emergency severity, a Water Shortage Emergency Rate works to offset lost revenues, cover the cost of additional conservation measures, and ensure the water utility can pay its bills and perform capital projects as planned. If the Board of Directors implements emergency stages, temporary changes to the volumetric rate may be assessed in addition to water rates.

Table 5 shows proposed emergency rates by shortage stage that would be applied if the Board of Directors declares a drought or water shortage emergency and chooses to implement the surcharges. These rates are both discretionary and temporary. The volumetric water use rate is in dollars per hundred cubic feet (\$/HCF).

March 1, 2024	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Residential (per Dwelling Unit)					
Tier 1 (0-3.99 units)	\$9.61	\$10.73	\$12.16	\$14.04	\$18.20
Tier 2 (4-7.99 units)	\$10.78	\$12.03	\$13.63	\$15.74	\$20.40
Tier 3 (8+ units)	\$17.02	\$19.00	\$21.53	\$24.85	\$32.22
Commercial	\$13.18	\$14.71	\$16.67	\$19.24	\$24.95
Irrigation	\$13.47	\$15.04	\$17.04	\$19.67	\$25.51

Table 5: Continued...

January 1, 2025	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Residential (per Dwelling Unit)					
Tier 1 (0-3.99 units)	\$10.76	\$12.02	\$13.62	\$15.72	\$20.38
Tier 2 (4-7.99 units)	\$12.07	\$13.47	\$15.27	\$17.63	\$22.85
Tier 3 (8+ units)	\$19.06	\$21.28	\$24.11	\$27.83	\$36.09
Commercial	\$14.76	\$16.48	\$18.67	\$21.55	\$27.94
Irrigation	\$15.09	\$16.84	\$19.08	\$22.03	\$28.57

January 1, 2026	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Residential (per Dwelling Unit)					
Tier 1 (0-3.99 units)	\$12.05	\$13.46	\$15.25	\$17.61	\$22.83
Tier 2 (4-7.99 units)	\$13.52	\$15.09	\$17.10	\$19.74	\$25.59
Tier 3 (8+ units)	\$21.35	\$23.83	\$27.01	\$31.17	\$40.42
Commercial	\$16.53	\$18.45	\$20.91	\$24.13	\$31.30
Irrigation	\$16.90	\$18.87	\$21.37	\$24.67	\$32.00

January 1, 2027	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Residential (per Dwelling Unit)					
Tier 1 (0-3.99 units)	\$13.50	\$15.07	\$17.08	\$19.73	\$25.57
Tier 2 (4-7.99 units)	\$15.15	\$16.90	\$19.15	\$22.11	\$28.66
Tier 3 (8+ units)	\$23.91	\$26.69	\$30.25	\$34.91	\$45.27
Commercial	\$18.52	\$20.67	\$23.42	\$27.03	\$35.05
Irrigation	\$18.92	\$21.13	\$23.94	\$27.63	\$35.84



The Rate Study Report is available on the website at soquelcreekwater.org/ratestudy.
Scan this code to be taken directly to the website.

How Do I Protest the Proposed Rate Increases?

You have the right to protest the proposed water rate adjustments. The protest must be in writing, and it must be submitted by either the property owner or a current rate-paying tenant. It must include the property service address and/or the assessor’s parcel number, the eligible individual’s name (property owner or tenant), a statement to the effect of “I protest the proposed water rate adjustments,” and an original signature.

Written protests may only be submitted by mail to the Soquel Creek Water District Board of Directors at 5180 Soquel Drive, Soquel, CA 95073, or in person at the District’s office, or during the Public Hearing at 6 pm Tuesday, February 20, 2024, at the Capitola City Council Chambers, 420 Capitola Avenue, Capitola, CA 95010.

All protests must be received by the District Board of Directors before the conclusion of the Public Hearing. The Board will not accept or consider any protest received after the conclusion of the Public Hearing.

Only one written protest per affected property will be counted. Telephone, e-mail, and fax protests will not be accepted. At the Public Hearing on Tuesday, February 20, 2024, the Board of Directors will accept and consider all written protests and hear all oral comments on the proposed water rate changes. Oral comments will not be counted as protests unless accompanied by a written protest as outlined within this Notice. At the conclusion of the Public Hearing, the Board of Directors will consider adopting the proposed changes as follows on the next page:

1. If fewer than a majority of property owners or ratepayers file a protest, the Board of Directors will consider adjusting water rates as proposed.
2. If a majority of affected property owners or ratepayers protest the proposed water rate adjustments before the conclusion of the Public Hearing, the District is prohibited by law from changing its water rates at this time.

If adopted, the proposed water rates will take effect beginning March 1, 2024. The reasons for the rate adjustments, the basis upon which they were calculated, and the amount of the proposed water rates are described in more detail in the Rate Study Report, which is posted on the District's website at www.soquelcreekwater.org/ratestudy and available by appointment at the District's main office at 5180 Soquel Drive, Soquel, CA 95073. District staff can assist

FAQ's

How is the Soquel Creek Water District funded?

The Soquel Creek Water District (District) is a public, not-for-profit agency that is funded in large part by the water rates customers pay. Payment for water service ensures the District's ability to deliver high-quality, reliable water in a manner that values our environment and community, and sustains the resources entrusted to our care. By law, we cannot charge customers more than what it costs to provide the service. The District is committed to good governance, fiscal accountability, and transparency, with systems and policies in place to earn the trust of our customers.

How will the community benefit from the proposed rate increases? The proposed rate increase will provide for a more reliable water system, prevent further seawater intrusion from destroying our water supply, and offer additional redundancy in the event of an emergency.

What happens if we do not raise rates? If rates are not raised, the service to customers may be affected and public and environmental health could be impacted. Rates help support the operation of the replenishment of the basin. Without that, an economic study showed that people would have to use less water and it would cost even more.

Who approves of rate changes? Establishing new rates is a collaborative effort with input from District staff, financial experts, community members, and the District Board of Directors. The Board of Directors approves the rate changes.

in answering questions about water rates, the rate study, or your bill. Contact information is enclosed below.

Statute of Limitations for Challenging Proposed Rates:
Please note that pursuant to California Government Code section 53759, there is a 120-day statute of limitations for judicially challenging all rates set forth in this Notice that runs from the effective date of the ordinance or resolution approving these rates.

Questions?

Call: (831) 475-8500 x132

Email: ratestudy@soquelcreekwater.org

Website: www.soquelcreekwater.org/ratestudy

Para asistencia en español: Esta información esta disponible en español. Por favor llame al (831) 475-8500 para recibir una version en español o visite nuestro sitio Web en www.soquelcreekwater.org/ratestudy.

Why are we asked to save water and then our water rates increase? The community's efforts to conserve have been necessary and are greatly appreciated. Saving water has been critical to protecting the groundwater basin from further seawater intrusion. When less water is used, the amount of revenue collected decreases considerably because the majority of the bill has been calculated based on water use. However, the majority of the District's costs are fixed. As a result, rates have to increase in order to cover the fixed costs of providing water service and maintaining the water system because those costs still exist regardless of how much water is used. Part of the proposed rate increase is a change to the rate structure to better allocate the basin-wide benefits of replenishment of the overdrafted condition, protection against further seawater intrusion, and aiding in meeting the state basin sustainability mandate.

Does the District offer a reduced rate for low-income customers? The District recognizes how vital water service is to everyone and it shouldn't be a financial struggle. As we consider the proposed rate changes, affordability is top of mind. California law (Proposition 218) requires that rates must be based on the cost of providing the service. Each customer group must pay their fair share and can't be required to pay the costs incurred by another group. In essence, the law doesn't allow for "lifeline" rates for low-income customers because it would result in some customers being charged more for their water service in order to subsidize low-income customers who would be paying less for their water service. The District can help customers who need flexibility when paying their bill because of economic hardship. Our customer service staff can review your situation and provide options.



5180 Soquel Drive
Soquel, CA 95073
(831) 475-8500
soquelcreekwater.org

NOTICE OF PUBLIC HEARING To Consider Proposed Water Rate Adjustments

NOTICE OF PUBLIC HEARING To Consider Proposed Water Rate Adjustments

6 pm Tuesday, February 20, 2024

Soquel Creek Water District Board of Directors
Capitola City Council Chambers
420 Capitola Avenue, Capitola, CA 95010
