



# El Toro Water District

## NOTICE OF PUBLIC HEARING ON PROPOSED WATER, SEWER AND RECYCLED WATER RATE INCREASE

Notice is hereby given that the Board of Directors of the El Toro Water District (the "District") will conduct a public hearing on July 30, 2015 at 7:30 a.m. in the Boardroom of the District Headquarters at 24251 Los Alisos Blvd., Lake Forest, CA 92630 to consider adopting increases to certain rates, fees and charges. The proposed increases are the result of detailed budget analysis and an independent professional Water, Sewer and Recycled Water Cost of Service Rate Study prepared to determine appropriateness of the amounts, and fair and equitable allocation among customer categories. The proposed increases impact the potable water usage rate, the uniform recycled water usage rate and the sewer operations and maintenance charge.

The net impact of the proposed changes in the rate structure for residential and commercial/public authority customers will vary based upon the actual water consumption and, where applicable, property specific water budgets. The calculation methodology of water budgets is being updated. The entire state of California is experiencing a severe and continual drought. Such conditions have prompted Governor Brown to issue an executive order mandating a 25 percent reduction in water usage statewide inclusive of specific restrictions and prohibitions in outdoor water use. The state has established target reductions in water use for different agencies and the District's reduction target is 24 percent based on calendar year 2013 usage. The rates calculated for fiscal year 2015/16 are based on projected sales reflecting the drought conditions, the resulting mandatory usage cutbacks, and the proposed revisions to the water budget calculations. The proposed changes to the water budget allocations include a reduction in gallons per capita day (GPCD) allotment from 60 to 55 consistent with a provisional standard incorporated in SBX7-7 (Water Conservation). In addition, the drought factor for and the corresponding allocation for Tier 2 is proposed to change from 100 percent of outdoor usage to 50 percent, thereby sending a stronger conservation signal in order to achieve the mandatory cutback percentage. (See "Potable Water Budget Calculation" section)

## BACKGROUND

While the District continually strives for cost reductions and better utilization of the public's assets entrusted to us, we still must align rates, fees and charges with the increasing costs to deliver services. These costs include energy delivery, the cost to purchase water and comply with regulations governing the treatment of water, wastewater, the disposal of wastewater, and the maintenance of vital infrastructure as well as State mandated conservation goals. Each year the District's Board of Directors adopts an annual operating budget that goes into effect on July 1. Part of the budgeting process is to assess the adequacy of the District's rates, fees, and charges. Of utmost importance is to minimize costs (and therefore rates), while maintaining the integrity of the District's infrastructure. To assist the District in this endeavor, the District retains independent outside Engineering and Financial consultants.

*Customers may obtain a copy of the proposed 2015/16 fiscal year budget and the Cost of Service Rate Study at the District's Administrative Office and the District's website at [www.etwd.com](http://www.etwd.com). For assistance in determining the impact of the proposed rate increase on your monthly bill you may access a Water Budget Calculator on the District's website or call our Customer Service Representatives at (949) 837-0660.*

## POTABLE WATER USAGE RATES

The Potable Water Usage Rates are being adjusted to accommodate an increase in the cost of imported water from our wholesale water provider, the Municipal Water District of Orange County ("MWDOC"). The District purchases 100% of its potable water supply from MWDOC to meet residential, potable irrigation, commercial/public authority and fire protection demands. The wholesale water increases are driven by continued investment in regional water treatment/delivery system infrastructure, increased water importation costs, securing higher cost water supplies due to Northern California Bay-Delta (Bay-Delta) importation regulatory restrictions and increased funding to aggressively pursue near term and long term Bay-Delta solutions that will ensure a greater degree of future water supply reliability to Southern California. The amount paid by the District to MWDOC for wholesale water is the exact amount "passed through" to the District's customers in the form of a Potable Water Usage Charge. The proposed rates include a \$0.12/hundred cubic feet (ccf) "pass-through" to all tiers to cover increased wholesale water cost. Tier I and the uniform commercial rate include an offsetting credit (funded by non-rate revenue) based on the Cost of Service Study, to recognize that the highest and best use of potable water is for indoor health, safety and sanitation purposes. Tiers III and IV rates are applied to usage exceeding calculated water budgets. Tiers III and IV rates include the actual costs to purchase and deliver water from the District's wholesale water provider plus charges to fund the District's conservation and recycled water development programs. The Potable Water Usage Rate increase will become effective with the first full billing period after August 1, 2015.

## RECYCLED WATER USAGE RATES

The uniform Recycled Water Usage Rate (\$2.52/ccf) is established to recover the cost of producing and delivering recycled water for irrigation purposes (see Cost of Service Study). The Recycled Water Usage Rate will become effective with the first full billing period after August 1, 2015.

### PROPOSED MONTHLY TIERED WATER USAGE RATES

Water Usage Charges	Current Rate \$/ccf*	Proposed Rate \$/ccf*
Tier I - Indoor Efficient	\$2.34	\$2.46
Tier II - Outdoor Efficient	\$2.68	\$2.83
Tier III - Inefficient	\$5.04	\$5.61
Tier IV - Excessive	\$7.04	\$7.18
Commercial, Institutional and Industrial ("CII")	\$2.63	\$2.79

\* 1 Billing Unit or "ccf" = 748 gallons

## WATER AND SEWER OPERATIONS AND MAINTENANCE CHARGE

To responsibly maintain and preserve its water, recycled water and sewer infrastructure investment, meet stringent regulatory requirements and ensure a continuous high level of service to our customers, the District administers an ongoing maintenance program. To minimize financial impacts to customers and, fairly and equitably allocate that cost, the District commissioned an independent Cost of Service Rate Study. The District proposes to increase the sewer operations and maintenance charge to meet escalating costs associated with operating and maintenance of the sewer system. The District is not proposing an increase to the water and recycled water operations and maintenance charges for fiscal year 2015/16. The Sewer Operations and Maintenance Charge increase will become effective with the August 2015 billing period.

WATER / RECYCLED WATER			SEWER		
Meter Size	Current	Proposed		Commercial(3)	
	Charge	Charge		Current	Proposed
				Charge	Charge
5/8"	\$9.98	No Change			
3/4"	\$13.31	No Change	Animal Kennel/Hospital	\$3.36	\$3.61
1"	\$19.95	No Change	Car Wash	\$3.34	\$3.59
1-1/2"	\$36.56	No Change	Department/Retail Store	\$3.36	\$3.61
2"	\$69.81	No Change	Dry Cleaner	\$2.94	\$3.16
			Golf Course/Camp/Park	\$2.93	\$3.15
			Health Spa	\$3.35	\$3.60
			Hospital/Convalescence Home	\$2.94	\$3.16
			Hotel	\$5.09	\$5.47
			Market	\$6.67	\$7.17
			Mortuary	\$6.64	\$7.14
			Nursery/Greenhouse	\$2.98	\$3.20
			Professional/Financial Office	\$3.36	\$3.61
			Public Institution	\$3.30	\$3.55
			Repair/Service Station	\$3.35	\$3.60
			Restaurant	\$3.17	\$3.41
			School	\$3.47	\$3.73
			Theater	\$3.36	\$3.61
			Warehouse/Storage	\$2.65	\$2.85
			Basic Commercial	\$2.94	\$3.16
SEWER Residential					
Meter Size	Current	Proposed			
	Charge	Charge			
Single Family (1)	\$20.50	\$22.02			
Multi-family Restricted (2)	\$16.26	\$17.46			
Multi-family Unrestricted (2)	\$19.33	\$20.76			
(1) charged per month					
(2) charged per Equivalent Dwelling Unit per month					
(3) per ccf of water used					

# POTABLE WATER BUDGET CALCULATION

## RESIDENTIAL CUSTOMERS

A per meter, customer specific water budget is calculated to meet the efficient demands of indoor domestic use as well as outdoor irrigation under normal operating and water supply conditions. Under Emergencies and Water Supply Shortage conditions, as currently exist, indoor and/or outdoor water budgets maybe adjusted using the Drought Factor ("DF") to reduce water budgets to further encourage conservation. A water budget is the sum of the indoor and outdoor water budgets.

The indoor water budget in hundred cubic feet (ccf<sup>1</sup>) is:

$$55 \text{ gallons/person/day} * \text{Number of people per household} * \text{Days/billing cycle} * DF_{\text{indoor}}/748$$

- The indoor Drought Factor  $DF_{\text{indoor}}$  which is set by the Board of Directors is currently set to 1 and the number of people per household is as follows:
  - Detached home (single family home): 4 people
  - Apartment: 2 people
  - Attached home - unrestricted (i.e. condominium or townhouse): 3 people
  - Attached home - restricted (i.e. condominium or townhouse with age restrictions): 2 people

**Customers may request a variance/adjustment to provide an equitable water budget for special circumstances such as, more people living in the home than the formula provides, medical needs, etc.**

The outdoor water budget allocation in ccf is:  $(\text{Weather data} * \text{Landscape area} * \text{ETAF}/1200) * DF_{\text{outdoor}}$

- Where the weather data is measured by the reference EvapoTranspiration ( $ET_0$ ) data in inches of water per billing cycle. ET is the amount of water that is lost by plants through evaporation and transpiration, and needs to be replaced for the plants to remain healthy.  $ET_0$  data is obtained from California Irrigation Management Information System (CIMIS) Station 75 established by State of California Department of Water Resources, Office of Water Use Efficiency;
- The landscape area for multi-family accounts including apartments, condominiums and mobile homes will be 25 square feet of landscape per dwelling unit plus any dedicated landscape area associated with the account;
- The landscape area for single-family detached homes is calculated by taking the building area and dividing it by the number of floors and subtracting that from the parcel area. The result is then multiplied by 70 percent to obtain the landscape area as follows:  
 $\text{Landscape area} = (\text{lot size} - (\text{building area} / \text{number of floors})) * 70\%$
- ET Adjustment Factor (ETAF) is a coefficient that adjusts the EvapoTranspiration ( $ET_0$ ) values based on type of plants and irrigation system efficiency. Based on the updated Model Water Efficient Landscape Ordinance<sup>2</sup> developed by the California Department of Water Resources, any landscape installed prior to January 1, 2010 has an ETAF of 0.8 and new landscape is an ETAF of 0.7. New landscape is defined as new or re-developments.
- $DF_{\text{outdoor}}$  is the outdoor drought factor (set by the Board of Directors) which is proposed to be established at 0.50. This factor is not necessarily the same as the DF for indoor;
- 1200 is the conversion factor from inches/sq ft to ccf.

**Under normal circumstances Customers may request a variance/adjustment to provide an equitable water budget for special circumstances such as, establishing new landscaping and changes in irrigation landscape area. Under Emergencies and Water Supply Shortage conditions, variances/adjustments may be limited.**

The indoor water budget, as determined above, will be billed at Tier I ("Indoor - Efficient") rates. The outdoor water budget, as determined above, will be billed at Tier II ("Outdoor - Efficient") rates. Water use in excess of the Tier I and II water budget would be deemed inefficient and/or excessive. Tier III ("Inefficient") water use would be usage between 100% and 130% of the Tier I and II water budget (or Total Water Budget) and Tier IV ("Excessive") usage would be consumption over 130% of Total Water Budget.

## POTABLE IRRIGATION CUSTOMERS

Potable Irrigation customers fall into one of two categories: Recreational or Functional. Recreational irrigation customers are those whose landscape is used mostly for recreational purposes (i.e. parks, soccer fields, etc.) while Functional irrigation customers will be those whose landscape is ornamental in nature (greenbelts, medians, etc.).

The irrigation water budget for dedicated irrigation customers in ccf is calculated as follows:

$$(\text{Weather data} * \text{Landscape area} * \text{ETAF}/1200) * DF_{\text{outdoor}}, \text{ where}$$

- Weather data ( $ET_0$ ) as described in the section above,
- Landscape area is assumed to be the lesser of 100% of total parcel area or 100% of the measured landscape area served by each meter,
- ET adjustment factor (ETAF) is equal to 0.8 for Functional irrigation and 1 for Recreational irrigation customers based on the updated Model Water Efficient Landscape Ordinance, and
- $DF_{\text{outdoor}}$  is the outdoor drought factor (set by the Board of Directors) which is proposed to be established at 0.50. This factor is not necessarily the same as the DF for indoor;

**Under normal circumstances Customers may request a variance/adjustment to provide an equitable water budget for special circumstances such as, establishing new landscaping and changes in irrigation landscape area. Under Emergencies and Water Supply Shortage conditions, variances/adjustments may be limited.**

All of an irrigation customer's Water Budget will be at Tier II ("Outdoor - Efficient"). Water use in excess of the Tier II water budget would be deemed inefficient and/or excessive. Tier III ("Inefficient") water usage would be between 100% and 130% of the Tier II budget and Tier IV ("Excessive") usage would be consumption over 130%.

1. ccf (100 cubic feet) = 748 gallons    2. Also in *State of California Code of Regulations, Title 23, Section 490-495*



# El Toro Water District

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Lake Forest, CA 92630

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The Governing Board of the El Toro Water District will conduct a public hearing on July 30, 2015 at 7:30 a.m. in the Board Room of its Administrative Office located at 24251 Los Alisos Blvd., Lake Forest, CA 92630. The purpose of the hearing will be to consider adoption of the proposed Potable Water Usage Rate increase, Recycled Water Usage Rate Increase and a Sewer Operations and Maintenance Charge increase. Property (parcel) owners may comment and file a written protest (one vote per parcel owned) on the proposed increases. California law prohibits the District from increasing charges if a majority of the affected property (parcel) owners file a written protest opposing the proposed increases before the end of the public hearing. Written protests must be submitted to the District at P.O. Box 4000, Laguna Hills, CA 92654 or personally submitted on or before the end of the public hearing, which is scheduled for 7:30 a.m. on July 30, 2015. Each protest must identify the affected property and include the signature of a record property owner. Email protests will not be accepted. Oral protests at the public hearing will not qualify as a protest, unless accompanied by a written protest. The District's Board of Directors welcomes input from the public during the public hearing.

## **PUBLIC HEARING AND PROTEST PROCEEDING**

You are receiving this notice because you are the owner of record of one or more parcels of property located within the service area of El Toro Water District.

## **WHY AM I RECEIVING THIS NOTICE?**