



## **SANTA FE IRRIGATION DISTRICT NOTICE OF PUBLIC HEARING REGARDING PROPOSED RATE INCREASES AND ADJUSTMENTS TO THE RATES FOR WATER SERVICE CHARGES**

The Santa Fe Irrigation District (the “District”) will conduct a public hearing on **November 15, 2018 at 8:30 AM**, or as soon thereafter as practicable, in the Board Room of the District’s administrative office, located at **5920 Linea del Cielo, Rancho Santa Fe, CA 92067**, to consider adopting increases in and adjustments to the rates of its water service charges.

### **REASONS FOR THE PROPOSED RATE INCREASES**

The District provides water service to approximately 21,500 customers in three communities: Rancho Santa Fe, Fairbanks Ranch, and the City of Solana Beach. The District has 100% ownership of over 150 miles of pipelines, as well as a six-million-gallon treated water reservoir. In addition to owning and operating a water distribution system, the District is joint owner (along with the San Dieguito Water District) of the R.E. Badger Water Filtration Plant, San Dieguito Reservoir, a hydroelectric power plant, raw water pumping stations and nearly 8 miles of transmission pipelines.

The District has a diverse supply of water with approximately 70% imported water, 25% local water, and 5% recycled water. The District purchases imported water from the San Diego County Water Authority (“SDCWA”). SDCWA in turn purchases a substantial portion of its water supplies from the Metropolitan Water District of Southern California (“MWD”). MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and the Sacramento-San Joaquin Delta via the over 400-mile California Aqueduct.

The District is committed to providing the highest quality services at the lowest possible rates for its customers. While the District continually strives for cost reductions and better utilization of the assets it holds, it also requires rate adjustments to continue replacement of capital infrastructure, keep pace with rising costs on materials to treat and deliver water, compensate employees to attract and maintain a high-performing team, and to mitigate rising imported water prices, among other reasons. To that end, the District hired an independent rate consultant to determine how best to meet its revenue requirements and to keep pace with projected cost increases over a three-year period. Based on this evaluation, and as described below, the District has determined that rate adjustments and increases are necessary. The District is also proposing to pass through to customers future increases in the costs of recycled water imposed on the District by the San Elijo Joint Powers Authority and the costs of wholesale water imposed on it by SDCWA and MWD.

A copy of the rate study is available for inspection at the offices of the District, and is also available online at [www.sfidwater.org](http://www.sfidwater.org).

## BASIS UPON WHICH THE RATES ARE CALCULATED

The District provides both potable (i.e., treated) water and recycled water service. The proposed rate structure for the District's potable water service charges has six customer classes: (1) single-family residential; (2) multi-family residential; (3) non-residential (which includes commercial, industrial, institutional, and governmental customers); (4) irrigation/commercial agriculture; (5) private fire protection (i.e. customers who have private fire suppression systems/hydrants); and (6) recycled water customers. The rate structure for all customers is composed of two components: (1) a Meter Fixed Charge, also known as a base meter charge, and (2) a Commodity Charge, also known as a volumetric charge. All customers are billed bi-monthly with the exception of recycled water customers, which are billed monthly.

**Meter Fixed Charge.** The Meter Fixed Charge is established on the basis of the size of the water meter (in inches) serving a property. For potable water for single-family residential, multi-family residential, non-residential, and irrigation/commercial agriculture, the charge is calculated to recover a portion of the District's fixed costs in providing potable water to such customers, including billing and collections, customer service, meter reading, meter maintenance, and a portion of costs associated with providing and meeting system capacity (including treatment, distribution, and storage). For private fire protection customers, the charge is calculated to recover costs attributable to providing private fire service. Similarly, for recycled water service customers, the charge is calculated to recover the majority of the District's costs in providing recycled water, including billing and collections, customer service, meter reading, meter maintenance, and recycled water distribution.

**Potable Water Commodity Charge.** The potable water Commodity Charge is calculated on the basis of the cost of providing potable water, including the costs of treating water and purchasing water from SDCWA, managing the District's water resources, conservation costs, and a portion of the District's fixed costs. The residential/non-residential potable water Commodity Charge rate structure consists of two tiers which impose higher rates per unit of water as the level of consumption increases. Private fire connection customers, however, pay a uniform rate per unit of water. One unit equals one hundred cubic feet ("HCF") or 748 gallons.

**SDCWA Charges and MWD Charges.** In addition to any charges imposed for the wholesale water that the District purchases from the SDCWA ("SDCWA Commodity Charge") and that are recovered by the District through its potable water Commodity Charge, SDCWA imposes the following fixed charges on the District: (1) an Infrastructure Access Charge ("IAC"); (2) a Supply Reliability Charge ("SRC"); (3) a Customer Service Charge ("CSC"); and (4) an Emergency Storage Charge ("ESC"). MWD also imposes two fixed charges on the District: (1) a Readiness to Serve Charge ("RTS Charge"), and (2) a Capacity Charge. The MWD RTS Charge and Capacity Charge, together with the SDCWA Commodity Charge, SRC, CSC, and ESC, are collectively referred to in this notice as the "Commodity Pass Through Charges." The Commodity Pass Through Charges are passed through to our customers through the rates of the potable water Commodity Charge. The IAC is passed through to our customers through the rates of the potable water Meter Fixed Charge.

Commencing January 1, 2019, and at any time through and including December 31, 2021, the District is proposing to automatically pass through to our customers any future increases in the rates for the Commodity Pass Through Charges and the IAC and any other charges that SDCWA and / or MWD charge the District, provided, however, that: (1) any increases in the rates of the potable water Commodity Charge as a result of an increase in the Commodity Pass Through Charges shall not exceed 10% per year; (2) any

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increases in the rates of the Meter Fixed Charge as a result of an increase in the IAC shall not exceed 10% per year; and (3) in no event shall any such increases passed through to customers result in rates exceeding the District’s cost of providing water service. Prior to implementing any such increases the District will provide written notice of the rate increase or increases to customers not less than 30 days prior to its effective date.

**Demand Reduction Rate Adjustments for the Potable Water Commodity Charge.** Fluctuating availability of water resulting from drought or other water events may result in state-mandated or local water use cutbacks. Cutbacks will cause the District to experience lower water sales, and, therefore, less water revenue. To help mitigate future losses in revenue from reduced sales and ensure that the District is able to continue to provide safe drinking water to our customers, the District is proposing to authorize adjustments to the rates of the potable water Commodity Charge (“Demand Reduction Rate Adjustments”) during declared water shortage stages or state mandated reductions in the level of potable water usage. The District will implement Demand Reduction Rate Adjustments for the potable water Commodity Charge as necessary, with formal Board adoption, depending on the level of potable water use cutbacks required, to ensure that it recovers sufficient revenues to meet its expenses. Under the proposed Demand Reduction Rate Adjustments, the rates for the Commodity Charge then in effect will be adjusted in accordance with the District’s projected losses of full cost recovery revenues due to the implementation of any applicable water use demand reduction level. The table below shows the proposed maximum adjustments in the rates of the potable water Commodity Charge that may be implemented by the District during various levels of mandatory reductions in water usage.

**MAXIMUM DEMAND REDUCTION RATE ADJUSTMENTS - \$/HCF  
FOR POTABLE WATER COMMODITY CHARGES**

<b>Demand Reduction Level</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
up to 5% Reduction	\$0.05	\$0.05	\$0.04
6 - 10% Reduction	\$0.10	\$0.11	\$0.09
11 - 20% Reduction	\$0.24	\$0.26	\$0.20
21 - 30% Reduction	\$0.41	\$0.45	\$0.35
31 - 40% Reduction	\$0.64	\$0.70	\$0.55

**Recycled Water Commodity Charge:** The District purchases recycled water from the San Elijo Joint Powers Authority. For recycled water customers the Commodity Charge is a uniform rate, but the amount imposed on each customer varies based on the number of units of recycled water delivered to a property. Commencing July 1, 2019 and each July 1 thereafter through and including July 1, 2021, the District proposes to pass through to recycled water customers any future rate increases imposed on the District by the San Elijo Joint Powers Authority for the cost of purchased recycled water. Any increases will only impact the rates of the recycled water Commodity Charge, shall not cause the recycled water Commodity Charge to increase by more than 5% per year, and in no event shall any such increase passed through to recycled water customers result in rates that exceed the District’s costs of providing recycled water service. Prior to implementing any increase in the rates of the District’s recycled water Commodity Charge as a result of any of the above-described automatic pass through increase, the District will provide written notice of the rate increase to customers not less than 30 days prior to its effective date.

## PROPOSED RATES

The District is proposing to adjust and increase the rates for its water service charges for three years. If approved, the rates will be effective for services provided on and after January 1, 2019, and will be increased each January 1 thereafter as set forth in the tables below. If approved, the proposed rates may be implemented January 1, 2019, and each January 1 thereafter, and are the maximum rates that may be imposed by the District, subject to adjustments for pass-through increases in each of those years. The proposed maximum rates and effective dates for potable water customers and recycled water customers are set forth in the tables below:

### RATES FOR BI-MONTHLY POTABLE WATER METER FIXED CHARGE (SFR, MFR, NON-RESIDENTIAL AGRICULTURE / COMMERCIAL IRRIGATION)

(\$/Meter size)<sup>1</sup>

Meter Size (In Inches)	January 1, 2019	January 1, 2020	January 1, 2021
5/8"	\$82.54	\$87.02	\$91.86
3/4"	\$82.54	\$87.02	\$91.86
1"	\$125.65	\$132.45	\$139.79
1.5"	\$226.24	\$238.44	\$251.60
2"	\$384.31	\$405.01	\$427.32
3"	\$700.45	\$738.13	\$778.75
4"	\$1,189.03	\$1,252.96	\$1,321.86
6"	\$2,166.19	\$2,282.61	\$2,408.09
8"	\$3,746.89	\$3,948.23	\$4,165.23
10"	\$5,614.99	\$5,916.69	\$6,241.85

Notes

- As discussed above, the rates for the bi-monthly Meter Fixed Charges in the table above are subject to annual adjustments for any increases in the rates of the SDCWA IAC imposed on the District by SDCWA. The rates for the Meter Fixed Charge that may be implemented on January 1, 2020 and January 1, 2021 do not include any projected increases in the rates of the SDCWA IAC that may be imposed on the District. Such increases will be passed through directly as they are adopted by SDCWA.

### RATES FOR BI-MONTHLY PRIVATE FIRE PROTECTION METER FIXED CHARGE

(\$/Meter size)

Meter Size (In Inches)	January 1, 2019	January 1, 2020	January 1, 2021
3/4"	\$9.76	\$10.00	\$10.53
1"	\$15.62	\$16.00	\$16.85
1.5"	\$29.28	\$30.00	\$31.59
2"	\$50.76	\$52.00	\$54.76

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**RATES FOR MONTHLY RECYCLED WATER METER FIXED CHARGE  
(\$/Meter size)**

Meter Size (In Inches)	January 1, 2019	January 1, 2020	January 1, 2021
5/8"	\$29.26	\$30.14	\$31.05
3/4"	\$29.26	\$30.14	\$31.05
1"	\$43.87	\$45.19	\$46.55
1.5"	\$80.40	\$82.82	\$85.31
2"	\$124.23	\$127.96	\$131.80
3"	\$226.51	\$233.31	\$240.31
4"	\$372.62	\$383.80	\$395.32
6"	\$737.90	\$760.04	\$782.85
8"	\$1,176.23	\$1,211.52	\$1,247.87
10"	\$1,687.63	\$1,738.26	\$1,790.41

**RATES FOR BI-MONTHLY POTABLE AND MONTHLY RECYCLED WATER COMMODITY CHARGE  
(\$/HCF)**

Customer Class	January 1, 2019	January 1, 2020	January 1, 2021
Single Family, Multi-Family, Non-Residential, Irrigation/ Commercial Agriculture <sup>1</sup>			
Tier 1 0-37 HCF	\$3.00	\$3.13	\$3.25
Tier 2 > 37 HCF	\$5.85	\$6.02	\$6.18
Private Fire Protection	\$5.85	\$5.95	\$6.10
Recycled Water <sup>2</sup>	\$3.66	\$3.81	\$3.97

Notes

1. The potable water Commodity Charge rates are subject to the Demand Reduction Rate Adjustments and annual adjustments for any increases in the rates of the Commodity Pass Through Charges imposed on the District by the SDCWA and/or MWD. The rates for the potable water Commodity Charge that may be implemented on January 1, 2020 and January 1, 2021 do not include any projected increases in the rates of the Commodity Pass Through Charges that may be imposed on the District by SDCWA or MWD. Such increases will be passed through directly as they are adopted by SDCWA and/or MWD.
2. The rates for the recycled water Commodity Charge are subject to annual adjustments for any increases in the rates of purchased recycled water imposed on the District by the San Elijo Joint Powers Authority.

**Billing for Potable Water Use:** Potable water use is currently billed on a bi-monthly basis. With the District’s current implementation program for automated meter infrastructure (AMI), monthly billing may become possible during this three-year time period if the entire AMI system should be completed and be fully functional to ensure proper billing. Should the District implement monthly billing on final completion of the AMI system, the bi-monthly fixed charge(s) shown under the Proposed Rates for each meter size would be exactly one-half of the charge, rounded down to the nearest cent. The commodity price and tier 1 and tier 2 would be as follows:

<b>RATES FOR MONTHLY POTABLE COMMODITY CHARGE (\$/HCF)</b>			
<b>Customer Class</b>	<b>January 1, 2019</b>	<b>January 1, 2020</b>	<b>January 1, 2021</b>
Single Family, Multi-Family, Non-Residential, Irrigation/ Commercial Agriculture			
Tier 1 0-19 HCF	\$3.00	\$3.13	\$3.25
Tier 2 > 19 HCF	\$5.85	\$6.02	\$6.18
Private Fire Protection	\$5.85	\$5.95	\$6.10

**Public Hearing and Written Protests:** Any record owner of a parcel upon which the potable water or recycled water service charges are proposed to be imposed and any tenant directly liable for the payment of potable or recycled water service charges (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed rate increases to the District’s water service charges; however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or tenant is opposed to the proposed potable or recycled water rate increases; (2) provide the location of the identified parcel (by street address, assessor’s parcel number, or customer account number); and (3) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted by mail or in person to the Executive Secretary to the District Board of Directors at 5920 Linea del Cielo, Rancho Santa Fe, CA 92067, or at the Public Hearing, so long as they are received prior to the close of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a valid written protest. Please indicate on the outside of any envelope mailed to the District Attn: Rate Hearing.

The Board of Directors will accept and consider all written protests and will hear and consider all oral comments to the proposed rate increases at the Public Hearing. Oral comments at the Public Hearing will not qualify as valid protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, the Board of Directors will consider adoption of the proposed rate increases as described in this notice. If written protests against the proposed rates are not presented by a majority of the property owners or tenants of the identified parcels subject to the proposed rate increases, the Board of Directors will be authorized to adopt the rate increases. Details regarding the proposed water service charges are available at the District offices (location noted above) or on the District’s website at [www.sfidwater.org](http://www.sfidwater.org). If you have any questions regarding the proposed rates or the amount of the water service charges that may be imposed on your property, please contact the District at (858) 756-2424.

**Rate Impact Calculator:** To illustrate how this change in the District’s rates impacts you as a customer, please visit [www.sfidwater.org](http://www.sfidwater.org) to use our estimated bill calculator. Based on information included in your bill that you will input, you can see how these changes from the District’s current rates to the rates proposed in this notice are estimated to impact you.

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5920 Linea Del Cielo, PO Box 409  
Rancho Santa Fe, CA 92067  
[www.sfidwater.org](http://www.sfidwater.org)

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## **SANTA FE IRRIGATION DISTRICT**

### **Board of Directors**

Michael T. Hogan - *President, Division #4*  
Kenneth Dunford - *Vice-President, Division #1*  
Marlene King - *Director, Division #3*  
Andy Menshek - *Director, Division #5*  
David Petree - *Director, Division #2*

### **General Manager**

Michael J. Bardin