

I. Reasons for the Proposed Increases

The proposed water rate and service charge increases are required to fund the rising costs of water purchases, operation and maintenance of the water system, planned capital improvement projects necessary to ensure safe and reliable drinking water, and to maintain adequate reserves to cover the projected costs and obligations of the District. The main factors driving the need to increase the District's water rates and service charges are described in more detail below:

1. The loss of local water from Lake Hodges Dam-with the Department of Safety of Dams (DSOD) restriction on Lake Hodges, the District's cheapest water source will be limited for the foreseeable future which results in a significant increase in water supply costs. Purchases from the San Diego County Water Authority (SDCWA) significantly impact the District's cost of water, which is the largest expense category. More than half of the District's FY2023-24 operating budget (51%) is allocated for water purchases.
2. Along with the loss of local water, is the District's contractual obligation to pay its 10.7 percent share of O&M and capital costs of Lake Hodges Dam. Replacement cost estimates are expected to be in the hundreds of millions of dollars.
3. A significant portion of District infrastructure is at or nearing the end of its useful life as most of it was built in the 1950s. A condition assessment of the system is in place and a replacement program for pipes and valves has been implemented following the 2022 Water Master Plan which identified critical water facilities and infrastructure that need to be repaired and replaced. Funding a properly maintained CIP is an important part of ensuring that the District delivers a safe and reliable potable water product to its customers. Approximately 26 percent of the FY2023-24 CIP funding is appropriated for the District's share of projects related to Joint Facilities, which are shared with the Santa Fe Irrigation District (SFID) and include improvements to the R.E. Badger Water Filtration Plant, San Dieguito Reservoir, and other associated infrastructure. The remaining 74 percent of CIP funding is appropriated for District projects, such as valve and pipeline replacements, water meter replacements, and various studies.

II. How the Proposed Rates are Calculated and what your water bill consists of

The District last increased water rates and service charges on January 1, 2024. The increase was based upon a Water Rate Study covering Calendar Years 2022 through 2024 which was prepared utilizing industry standard cost of service principles. Under this approach, there is a direct connection between the cost of providing water service and the end charge applied to the user. Actual water rates and service charges may vary between classes of users depending upon the specific demands placed on the system by that user class. The District's water rates and service charges are evaluated periodically to maintain an adequate rate and charge structure sufficient to recover the costs of providing water service. The current Water Rate Study proposes revenue adjustments of 9 percent on July 1, 2024, 12 percent on July 1, 2025, and 12 percent on July 1, 2026. The charges for FY 2025 are set using the cost of service analysis and do not equate to increasing the current rates by the revenue adjustment. Charges for FY 2026 and FY 2027 can be calculated by increasing FY 2025 rates by the proposed revenue adjustments. It should be noted that the second- and third-year adjustments are recommended as an "up to" amount. If the District's financial conditions are better than projected, the Board can consider a lower adjustment for the second and third year.

Fixed charge: This charge is calculated to recover a portion of the District's fixed costs, such as billing, customer service, meter reading, and meter maintenance. A portion of the cost to operate and maintain the domestic water system are allocated to the fixed charge. Capital replacement costs for water supply capacity and storage costs are also allocated to the fixed charge as these do not vary depending on the amount of water delivered.

Variable charge: This is a unit charge for the amount of water used. San Dieguito Water District uses a tiered rate structure for Single-Family and Multi-Family Residential customers that impose higher rates as the level of consumption increases due to the increased demands placed on the water system by high water users. The water rates for non-residential customers are set as a flat (uniform) rate for all levels of consumption. These charges cover expenses such as purchased water, treatment, pumping, and other costs that connect directly to the amount of water used. The costs are broken down into tiers with a set volumetric rate determined by the amount of water delivered to each parcel, measured in HCF units. One HCF unit equals 748 gallons.

Fire meter/line charges: Certain customers who require a separate fire meter or fire line used to serve fire sprinklers are required to pay a fixed bi-monthly fire meter service charge (fire line / fire meter service charge). The fire line / fire meter service charge is a fixed charge established on the basis of the dedicated fire meter or fire line size serving the property and is calculated to recover costs related to the billing, customer service, meter reading (when applicable), system capacity, and maintenance of the fire meters and fire lines.

Pass through charges: While not included in the cost-of-service study, the District also bills all potable water customers a charge for the SDCWA Infrastructure Access Charge (IAC). The IAC is a fixed pass-through charge established by the size of the meter serving the property. The IAC is updated by SDCWA every calendar year on January 1, with the District updating the IAC pass-through charge accordingly on that date.

Recycled water rates and service charges are indirectly impacted by the proposed water rates and service charges. Like potable service charges, recycled service charges are set based upon the size of the meter serving the property; however, they are pro-rated on a monthly basis due to the District billing recycled water customers monthly instead of bi-monthly.

III. Proposed Water Rates and Service Charges

Proposed Bi-Monthly Water Meter Service Charges					Proposed Bi-Monthly Fire Line/Fire Meter Service Charges				Proposed Monthly Recycled Water Meter Service Charge				
Meter Size	Current Charge	Effective 7/1/2024	Effective 7/1/2025	Effective 7/1/2026	Current Charge	Effective 7/1/2024	Effective 7/1/2025	Effective 7/1/2026	Meter Size	Current Charge	Effective 7/1/2024	Effective 7/1/2025	Effective 7/1/2026
5/8"	\$52.78	\$57.93	\$64.88	\$72.66	\$11.08	\$11.80	\$13.21	\$14.80	5/8"	\$26.39	\$26.39	\$ 27.97	\$ 29.65
3/4"	\$52.78	\$57.93	\$64.88	\$72.66	\$11.08	\$11.80	\$13.21	\$14.80	3/4"	\$26.39	\$26.39	\$ 27.97	\$ 29.65
1"	\$78.06	\$86.44	\$96.82	\$108.43	\$11.08	\$11.80	\$13.21	\$14.80	1"	\$39.03	\$39.03	\$ 41.37	\$ 43.85
1.5"	\$140.72	\$157.10	\$175.95	\$197.07	\$9.86	\$10.60	\$11.87	\$13.29	1.5"	\$70.36	\$70.36	\$ 74.58	\$ 79.06
2"	\$216.21	\$242.23	\$271.30	\$303.85	\$17.10	\$18.55	\$20.77	\$23.26	2"	\$108.11	\$108.11	\$ 114.59	\$ 121.47
3"	\$392.47	\$441.00	\$493.92	\$553.19	\$43.07	\$47.07	\$52.72	\$59.05	3"	\$196.24	\$196.24	\$ 207.01	\$ 220.49
4"	\$644.23	\$724.91	\$811.90	\$909.32	\$87.84	\$96.27	\$107.83	\$120.77	4"	\$322.12	\$322.12	\$ 341.44	\$ 361.93
6"	\$1,273.05	\$1,434.03	\$1,606.11	\$1,798.84	\$248.55	\$272.86	\$305.60	\$342.28	6"	\$636.53	\$636.53	\$ 674.72	\$ 715.20
8"	\$2,027.93	\$2,285.31	\$2,559.55	\$2,866.70	\$525.75	\$577.44	\$646.73	\$724.34	8"	\$1,013.97	\$1,013.97	\$ 1,074.80	\$ 1,139.29

Proposed Residential and Non-Residential Metered Water Rates						
Per Hundred Cubic Foot (HCF) of Water (1 HCF=748 Gallons)						
Customer Class	Tier	Block	Current Rate	Effective 7/1/24	Effective 7/1/25	Effective 7/1/26
Single-Family Residential (SFR)	Tier I	0-12	\$3.68	\$5.00	\$5.60	\$6.27
	Tier II	13-20	\$6.61	\$7.25	\$8.12	\$9.09
	Tier III	21-40	\$7.47	\$7.50	\$8.40	\$9.41
	Tier IV	41+	\$8.87	\$7.84	\$8.78	\$9.83
SFR-w-Agriculture*	Tier IV	41+	\$7.85	\$7.69	\$8.61	\$9.65
SFR-w-Commercial*	Tier IV	41+	\$7.85	\$7.69	\$8.61	\$9.65
(MFR)	Tier I	0-8	\$3.68	\$5.00	\$5.60	\$6.27
	Tier II	8-12	\$6.61	\$7.25	\$8.12	\$9.09
	Tier III	13-16	\$7.47	\$7.50	\$8.40	\$9.41
	Tier IV	17+	\$8.87	\$7.84	\$8.78	\$9.83
MFR-w-Agriculture*	Tier IV	17+	\$7.85	\$7.69	\$8.61	\$9.65
MFR-w-Commercial*	Tier IV	17+	\$7.85	\$7.69	\$8.61	\$9.65
Agriculture/Commercial	Uniform		\$6.34	\$6.40	\$7.17	\$8.03
Public/Govt/Institutional	Uniform		\$6.99	\$7.31	\$8.19	\$9.17
Landscape	Uniform		\$7.33	\$7.54	\$8.44	\$9.46
Construction	Uniform		\$7.48	\$7.66	\$8.58	\$9.61
Recycled	Uniform		\$6.08	\$5.56	\$5.90	\$6.25

*SFR and MFR customers with qualifying agriculture or commercial uses pay the same respective SFR and MFR rates in Tiers I, II, and III and then revert to a "hybrid" Tier IV rate for these mixed-use applications.

IV. Impact to the Bi-Monthly Single Family Residential Customer Bill-EXAMPLE

Single Family Residential (SFR) Customer Bi-monthly Bill*				
Use (HCF)	Current		7/1/2024	Difference
10	98.40		116.75	18.35
16	132.20		155.75	23.55
22	173.58		199.75	26.17
28	218.4		244.75	26.35
34	263.22		289.75	26.53
*Various water consumption levels assuming 3/4" meter. Average SFR usage is 22 HCF and 78% of District customers are SFR.				

V. Drought Rates: are established to ensure the District receives sufficient revenues to cover its cost of providing water service when consumption decreases due to the implementation of water-use reductions during a water shortage. Drought Rates are established in blocks of reductions and may be pro-rated if the mandatory water-use reduction falls between two reduction blocks. In the event of declared mandatory water-use reductions, Drought Rates with the surcharges applied to metered water rates as set forth in the table below may be implemented by the District:

Reduction Target	Level 1 Reduction	Level 2 Reduction	Level 3 Reduction	Level 4 Reduction	Level 5 Reduction	Level 6 Reduction
Percent Shortage range	Up to 10%	Up to 20%	Up to 30%	Up to 40%	Up to 50%	Over 50%
Surcharge applied to volumetric water rate	Voluntary	11%	20%	32%	46%	71%

Drought rates only affect potable metered water rates and do not affect service charges or recycled meter water rates.

VI. How can I participate?

San Dieguito Water District welcomes your participation and input throughout the process as the Board of Directors considers the changes explained in this notice. If you have any questions or comments about the proposed adjustments, you can:

Call, Visit, or Log-On. Copies of the Water Rate Study further detailing the bases and reasons for the proposed rate increases are available for public review at the following locations:

In Person:	San Dieguito Water District (Main Office) 160 Calle Magdalena Encinitas, CA 92024	City of Encinitas (City Clerk's Office) 505 South Vulcan Avenue Encinitas, CA 92024
Online:	www.sdwd.org	Call (760) 633-2658

Write. We encourage you to reach out with any questions. Should you wish to protest the proposed changes, owners of real property who will be affected by the proposed rate changes, as well as tenants directly responsible for payment, may file a written protest against the proposed rate adjustment; however, only one written protest per parcel shall be counted in calculating a majority protest. Written protests will be treated as public records once opened. Written protests may be mailed or placed in our dropbox at San Dieguito Water District, 160 Calle Magdalena, Encinitas, CA 92024, Attn: Board Secretary. Protests must specify the rate being protested and must include: your name, parcel number and/or service address, and your signature. Objections submitted by email or other electronic means do not count as formal written protests. All written protests must be received prior to the conclusion of the public input portion of the public hearing in order to be considered by the Board of Directors.

Attend the Public Hearing. Members of the public are welcome to attend the public hearing regarding the proposed rate changes. The public hearing will take place on **April 17, 2024, at 5 p.m.** at the City of Encinitas Council Chambers, located at 505 South Vulcan Avenue, Encinitas, CA, 92024. At the public hearing, all members of the public will have an opportunity to speak and give testimony regarding the proposed rate adjustments; however, only written protests count toward a majority protest.

Public Hearing Process. At the time of the public hearing, the Board of Directors will hear and consider all written timely protests and public comments. After the public hearing, if a majority of the property owners or customers of record submit written protests in opposition to the proposed rates, they will not be imposed. If a majority written protest is not received, the Board may adopt the proposed changes, though it is not obligated to. If adopted, the increases to the rates and charges will be effective for bills dated on or after July 1, 2024, July 1, 2025 and July 1, 2026, respectively. There is a 120-day statute of limitations to challenge the rates set forth herein. The 120-day period will begin on the date the resolution adopting the rates is adopted.



**SAN DIEGUITO WATER DISTRICT
160 CALLE MAGDALENA
ENCINITAS, CA 92024**

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IMPORTANT INFORMATION ABOUT YOUR WATER RATES AND SERVICE CHARGES

SAN DIEGUITO WATER DISTRICT Proposition 218 Notice Notice of Public Hearing on Proposed Water Rates and Charges

NOTICE IS HEREBY GIVEN pursuant to Article XIID of the California Constitution (Proposition 218) that the San Dieguito Water District (District) will hold a Public Hearing to consider proposed increases to rates for its water service charges for the parcel for which you are shown as the property owner or water customer of record. The hearing will be held:

Date & Time: April 17, 2024 @ 5:00 PM
Location: City of Encinitas Council Chambers
505 South Vulcan Avenue
Encinitas, CA 92024

Why have I received this notice?

San Dieguito Water District is considering a three-year schedule of changes to water rates and charges that could affect your bi-monthly bill. San Dieguito is proposing changes to fixed and variable charges. Customers who may be impacted by these changes are receiving this notice and are invited to provide feedback that the Board of Directors will consider prior to voting on the proposal.