



El Toro Water District

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

Notice is hereby given that the Board of Directors of the El Toro Water District (the "District") will conduct a public hearing on June 23, 2016 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 Study Report prepared to determine appropriateness of the amounts, and fair and equitable cost allocation among customer categories. The proposed increases impact the uniform recycled water usage rate and the water, sewer and recycled water operations and maintenance charges.

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 entire state of California continues to experience drought conditions. Such conditions 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. In response to the Governor's executive order, the State Water Resources Control Board (SWRCB) established target reductions in water use for different retail water agencies across California. The District's reduction target is 24 percent based on calendar year 2013 usage. The initial mandated reductions were implemented in June 2015 and were projected to expire in February 2016. As a result of persistent drought conditions, the SWRCB extended the mandatory reductions through October 2016. The rates calculated for fiscal year 2016/17 are based on projected water sales reflecting the drought conditions, continuation of state mandated usage cutbacks, and continuation of the 50% outdoor drought factor that was implemented in 2015/16. The outdoor drought factor for Tier 2 will remain at 50 percent of the calculated outdoor water budget, thereby continuing to send a strong conservation signal in order to comply with the District's 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 costs to deliver services. These costs include 1) electricity for operations, 2) the cost to purchase and treat water, 3) compliance with regulations governing the distribution, collection and treatment of water, wastewater and recycled water, 4) the disposal of treated wastewater & bio-solids, 5) construction of capital infrastructure improvements needed to repair, replace and update aging water, sewer and recycled water systems and 6) ongoing 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 and its financial stability. To assist the District in this endeavor, the District retains independent outside Engineering and Financial consultants.

Customers may obtain a copy of the proposed 2016/17 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. 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 District purchases 100% of its potable water (drinking water) supply from Municipal Water District of Orange County (MWDOC) to meet residential, potable irrigation, commercial/public authority and fire protection demands. Wholesale water costs are driven by continued investment in regional water treatment/delivery system infrastructure, increased water importation costs, securing higher cost water supplies and water storage arrangements 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. While the cost of wholesale purchased water is increasing by 4%, the District is not proposing any increases to the existing potable water usage rates. This is a result of a five agency collaboration to fund and construct a local Water Treatment Plant (Baker Water Treatment Plant) located in the City of Lake Forest to improve water treatment and water supply reliability for ETWD's customers and South Orange County. Financing of the District's share of associated capital and operating costs for the new facility provides a cost offset that mitigates the majority of the wholesale water cost increase for fiscal year 2016/17. The balance of the cost increase is being funded out of District reserves.

RECYCLED WATER USAGE RATES

The uniform Recycled Water Usage Rate (\$2.52/ccf) is proposed to increase by \$0.03/ccf or \$2.55/ccf to recover the cost of producing and delivering recycled water for irrigation purposes. The Recycled Water Usage Rate will become effective with the first full billing period after July 1, 2016.

PROPOSED MONTHLY TIERED WATER USAGE RATES

Water Usage Charges	Current Rate \$/ccf*	Proposed Rate \$/ccf*
Tier I - Indoor Efficient	\$2.46	No Change
Tier II - Outdoor Efficient	\$2.83	No Change
Tier III - Inefficient	\$5.61	No Change
Tier IV - Excessive	\$7.18	No Change
Commercial, Institutional and Industrial ("CII")	\$2.79	No Change

* 1 Billing Unit or "ccf" = 748 gallons

WATER AND SEWER OPERATIONS AND MAINTENANCE CHARGE

To responsibly maintain and preserve its water, sewer and recycled water infrastructure investment, meet stringent regulatory requirements and ensure a continuous high level of service to our customers, the District administers an ongoing operations and maintenance program. To minimize financial impacts to customers and, fairly and equitably allocate that cost, the District commissioned an independent Cost of Service Study Report. Coupled with prudent utilization of reserves the District proposes to increase the water, sewer and recycled water operations and maintenance charges to meet costs associated with operating and maintenance of the water, sewer and recycled water systems. The Water, Sewer and Recycled Water Operations and Maintenance Charges increase will become effective with the first full billing period after July 1, 2016.

WATER / RECYCLED WATER			SEWER		
Meter Size	Current Charge	Proposed Charge	Commercial(3)		
				Current Charge	Proposed Charge
5/8"	\$9.98	\$10.93	Animal Kennel/Hospital	\$3.61	\$3.79
3/4"	\$13.31	\$14.58	Car Wash	\$3.59	\$3.77
1"	\$19.95	\$21.86	Department/Retail Store	\$3.61	\$3.79
1-1/2"	\$36.56	\$40.06	Dry Cleaner	\$3.16	\$3.32
2"	\$69.81	\$76.48	Golf Course/Camp/Park	\$3.15	\$3.31
Private Fire (\$/in-diameter)	\$7.00	\$7.67	Health Spa	\$3.60	\$3.78
			Hospital/Convalescence Home	\$3.16	\$3.32
			Hotel	\$5.47	\$5.74
			Market	\$7.17	\$7.53
			Mortuary	\$7.14	\$7.50
			Nursery/Greenhouse	\$3.20	\$3.36
			Professional/Financial Office	\$3.61	\$3.79
			Public Institution	\$3.55	\$3.73
			Repair/Service Station	\$3.60	\$3.78
			Restaurant	\$3.41	\$3.58
			School	\$3.73	\$3.92
			Theater	\$3.61	\$3.79
			Warehouse/Storage	\$2.85	\$3.00
			Basic Commercial	\$3.16	\$3.32
SEWER Residential					
Meter Size	Current Charge	Proposed Charge			
Single Family (1)	\$22.02	\$23.11			
Multi-family Restricted (2)	\$17.46	\$18.33			
Multi-family Unrestricted (2)	\$20.76	\$21.79			
(1) charged per month					
(2) charged per Equivalent Dwelling Unit per month					
(3) per ccf of water used					

CAPITAL REPLACEMENT AND REFURBISHMENT CHARGE

The District maintains over \$100 million worth of water, sewer and recycled water infrastructure. The District's capital program, which reinvests, replaces and refurbishes the assets that are essential to the provision of water, sewer and recycled water services to the District's customers is funded by the Capital Replacement and Refurbishment Charge. No change in the Capital Replacement and Refurbishment Charge is proposed in the 2016/17 fiscal year.

POTABLE AND RECYCLED WATER CAPITAL REPLACEMENT AND REFURBISHMENT CHARGE

Meter Size	Current Charge (\$/Month)	Proposed Charge (\$/Month)
5/8"	\$4.66	No Change
3/4"	\$4.66	No Change
1"	\$7.78	No Change
1-1/2"	\$18.91	No Change
2"	\$47.47	No Change

SEWER CAPITAL REPLACEMENT AND REFURBISHMENT CHARGE

User Category	Current Charge (\$/Month)	Proposed Charge (\$/Month)
Single Family Residential	\$4.93	No Change
Multi-Family Restricted	\$3.91	No Change
Multi-Family Unrestricted	\$4.65	No Change
Commercial		
5/8" Meter	\$4.34	No Change
3/4" Meter	\$7.34	No Change
1" Meter	\$13.55	No Change
1-1/2" Meter	\$24.07	No Change
2" Meter	\$70.96	No Change
Public Authority		
1" Meter	\$4.93	No Change
1-1/2" Meter	\$24.65	No Change
2" Meter	\$39.71	No Change

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 (ccf¹) is:

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

- The indoor Drought Factor DF_{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: **(Weather data * Landscape area * ETAF/1200) * DF_{outdoor}**

- Where the weather data is measured by the reference EvapoTranspiration (ET_o) data in inches of water per billing cycle. ET_o 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_o 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:
Landscape area = (lot size - (building area /number of floors)) * 70%
- ET Adjustment Factor (ETAF) is a coefficient that adjusts the EvapoTranspiration (ET_o) values based on type of plants and irrigation system efficiency. Based on the updated Model Water Efficient Landscape Ordinance² 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_{outdoor} is the outdoor drought factor (set by the Board of Directors). In 2015 the outdoor drought factor was set at 0.50. The outdoor drought factor is proposed to remain at 0.50. This factor is not necessarily the same as the DF for indoor;
- 1200 is the conversion factor from inches-water (weather data)*square feet (landscape area) to ccf (outdoor water budget).

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:

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

- Weather data (ET_o) 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_{outdoor} is the outdoor drought factor (set by the Board of Directors) . In 2015 the outdoor drought factor was set at 0.50. The outdoor drought factor is proposed to remain 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%.



El Toro Water District

24251 Los Alisos Blvd.
Lake Forest, CA 92630

WHY AM I RECEIVING THIS NOTICE?

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.

PUBLIC HEARING AND PROTEST PROCEEDING

The Governing Board of the El Toro Water District will conduct a **public hearing on June 23, 2016 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 Recycled Water Usage Rate Increase and a Water, Recycled Water and 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 June 23, 2016. 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.