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700 Civic Center Drive West
Santa Ana, CA 92701

August 12, 2008

Dear Judge Wieben Stock,

The City of San Juan Capistrano appreciates the opportunity to comment on the Grand Jury's May 2008 Report entitled "Water Budgets, Not Water Rationing". The report was well researched and succinctly written. It contains the distillation of some of the best concepts moving the water industry forward in the realm of water use efficiency. In response to the many suggestions contained within the report, the City is proud to say, "We are doing this", and pleased that this agency was used as an example in the Report.

The City of San Juan Capistrano was requested to formally comment on two Findings, and four Recommendations. The City's responses are included with this letter as a separate document.

Please contact us if you would like any further information.

Sincerely,

Dave Adams, City Manager

CC: Orange County Grand Jury, 700 Civic Center Drive West, Santa Ana, CA 92701

San Juan Capistrano: Preserving the Past to Enhance the Future

WATER BUDGETS, NOT WATER RATIONING

Report by the Orange County Grand Jury, 2007-08

Response by the City of San Juan Capistrano

August 12, 2008

Orange County Grand Jury Findings:

F-1 Opportunities for further water conservation exist especially with regard to landscape watering.

The City of San Juan Capistrano agrees with the finding.

F-2 Conservation pricing, or tiered pricing, with a fair and reasonable base allotment, followed by tiers of higher rates, can be an effective tool to motivate further conservation.

The City of San Juan Capistrano agrees with the finding.

Orange County Grand Jury Recommendations:

R-1 Continue to emphasize methods and availability of tools that assist the customers in understanding weather-based irrigation practices by:

- Providing a hotline for assisting the public with landscape irrigation information
 - The City of San Juan Capistrano has implemented this recommendation.
 - The City of San Juan Capistrano's customer service telephone number serves as our hotline. During business hours, it is always answered by a live person. After-hours, 24 hour response is available for leaks.
 - The City's water customer service representatives are able to provide basic landscape watering guidelines and other leak detection and water conservation information to customers by telephone.
 - Customers are also directed to bewaterwise.com, and informational landscape brochures are made available at the counter, at public events, including workshops and classes, and can be mailed out on request.
 - The City's full time Water Conservation Coordinator is a horticulturist and landscape consultant, and provides in-depth landscape irrigation and plant material analysis and consultations upon request, both by telephone and on-site at residences, homeowner associations, and businesses.
- Providing a countywide soil texture map on the MWDOC website
 - This recommendation has been discussed with MWDOC staff, and the MWDOC response to this Report is expected to address this item.
 - Locally, San Juan Capistrano's soil is almost entirely clay to clay-loam, with few exceptions. Local watering recommendations given by telephone

assume the presence of clay, unless the customer is aware of differing conditions.

- On-site landscape and irrigation analysis includes an examination of soil texture, soil moisture and root depth using a soil probe. After demonstrating how to use them, the City frequently gives customers soil probes as a conservation tool for their own future use to guide their watering schedule.
- Developing an Orange County specific water calculator on the MWDOC website
 - This recommendation has been discussed with MWDOC staff, and the MWDOC response to this Report is expected to address this item.

R-2a Develop monthly water allocations for each customer based on both of the following:

- A per person indoor water allotment that satisfies basic needs
 - The City of San Juan Capistrano has implemented this recommendation.
 - San Juan Capistrano has had a water-budget-based tiered rate structure in place since 1991.
 - The indoor water allotment or allocation is 9 CCF per month for single family residences. As the Grand Jury Report notes, this is equivalent to 70 gallons per person per day, an adequate allotment for meeting necessary health requirements.
 - The indoor allocation is added to the outdoor allocation as described in the next section.
- An outdoor water allotment that applies the weather-based method over the customers' landscaped area
 - The City of San Juan Capistrano has implemented this recommendation.
 - San Juan Capistrano has had a water-budget-based tiered rate structure in place since 1991.
 - Individually tailored monthly water budgets are in place for all residential and landscape customers.
 - The outdoor water allotment, or allocation, is based on:
 - Square footage of irrigable area,
 - Real-time Reference Evapotranspiration (ET_o) measurements from the CIMIS weather station,
 - Number of days in the billing period, and
 - The crop coefficient (K_c, or plant water needs) of cool-season turf grass.
 - The total monthly allocation represents the amount of water available to a customer at the Tier 1 commodity price. For residential customers this includes the indoor component, above.

R-2b Develop a tiered-pricing structure with the first tier based on individual customer water allocation priced at a commodity rate, and subsequent tiers priced significantly higher to encourage conservation. The pricing shall be structured in a manner that will preclude the necessity of price increases as a result of reduced water use.

The City of San Juan Capistrano has implemented this recommendation. San Juan Capistrano has had a water-budget-based tiered rate structure in place since 1991. There are three tiers of pricing. The first tier is based on the individual customer water allocation as described above, with indoor and outdoor components, which change monthly to reflect real-time weather. This first tier is priced at the lowest commodity rate, \$2.61 per CCF at the time of this writing. After using 100% of the allocation, the price goes up. An equivalent amount of water (101% to 200% of the allocation) is charged at the second tier, currently \$3.57 per CCF. If a customer exceeds their allocation by more than 200%, all additional water is charged at \$7.13 per CCF. The upper tiers are priced significantly higher than the first tier to encourage conservation.

All of San Juan Capistrano's fixed costs are covered by the combined revenue from the meter charge (a fixed monthly service charge based on meter size), plus the water commodity charge at the Tier 1 rate over the minimum amount of water customers will always consume, which we have termed "hard demand". This provides revenue stability, and protects the City and ratepayers from having to raise rates when customers make an effort to conserve. The City does not build its core budget around the Tier 2 and 3 revenue; rather, those funds are dedicated to further conservation efforts.

R-2c Modify water bills to clearly explain customer monthly allotment and monthly water usage.

The City of San Juan Capistrano has implemented this recommendation. San Juan Capistrano's monthly water bill contains three line item charges:

- Water Service Charge (a fixed monthly service charge based on meter size),
- Sewer Charge (which is tied to water use in some cases), and
- Water Consumption.

This allows an undiluted message to reach the customers, specifically and only about water. The water bill illustrates a 13 month history of use and allocations, to enable customers to compare the current year to the previous year, and observe seasonal patterns of use. If a customer has high use, into the Tier 2 and 3 prices, the amount of water used at each tier, with associated charges, is clearly delineated.