



PROPOSITION 218 NOTICE JULY 2026

The mission of the Scotts Valley Water District is to deliver a sustainable, high-quality water supply in an environmentally responsible and financially secure manner, while providing outstanding customer service.

Why am I receiving this notice?

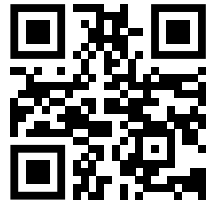
The Scotts Valley Water District is proposing a rate increase and changes to the rate structure. The rate increase is being considered so the District can fund ongoing operations and replace aging infrastructure. The District has fixed costs that need to be met regardless of customer water demand, including maintenance, upgrades and professional staffing.

Community Meeting and Public Hearing

The Scotts Valley Water District will hold a Community Meeting from 4:30-6:30 p.m. on Aug. 19, 2026, as well as a Board Public Hearing at 6:30 p.m. on Oct. 8, 2026.

At the Public Hearing, the Board of Directors will consider adoption of the proposed water rates and changes to water rate structure affecting all water customers. Interested persons are encouraged to attend either events and provide input.

Both meetings will be held in the Santa Margarita Community Room located at 2 Civic Center Drive, Scotts Valley, CA 95066.



For more information, please visit www.svwd.org/ratestudy



When would new rates go into effect?

If adopted, the proposed new rates would take effect Jan. 1, 2027, with annual increases each Jan. 1, up to and including Jan. 1, 2031. The scheduled increases would take effect without further rate hearings, provided the increases do not exceed the amounts included in this notice. The District retains the discretion to implement rates lower than proposed.

Prop 218 Protest Process

Any property owner or tenant who is a customer of the Scotts Valley Water District may protest the proposed water rate increases and changes to the water rate structure. If you oppose the proposed water rate increases and changes to the water rate structure, Proposition 218 requires that your protest must be submitted in writing to be counted, even if you plan to attend the Public Hearing. To be counted, the protest must:

- ✓ be in writing
- ✓ state opposition to the proposed rate increase
- ✓ identify the parcel by assessor's parcel number or street address
- ✓ include the original signature of the owner of record or a tenant who is a customer of the Scotts Valley Water District
- ✓ be received before the conclusion of the Public Hearing on Oct. 8, 2026.

One written protest per parcel, filed by an owner or a tenant who is a customer, will be counted. Only written and signed protests that include the writer's address and/or assessor's parcel number will be counted to determine whether a majority protest to the proposed water rate increase exists. Written protests may be mailed, emailed (scanned, signed and attached) to contact@svwd.org or hand delivered to the General Manager, Scotts Valley Water District, 2 Civic Center Drive, Scotts Valley, CA 95066.



AB 2257: Exhaustion of Administrative Remedies Process

Property owners or customers of record may file an objection to the proposed rates under AB 2257. A valid objection must:

- ✓ Clearly explain why you believe the proposed rates do not comply with Proposition 218, with enough detail for the District to review and respond. For example, stating that the proposed rates are too high, or that they are illegal without an explanation as to why, will be insufficient to constitute a valid legal objection.
- ✓ Include the parcel address or assessor's parcel number.
- ✓ Include the name and signature of the individual submitting the objection.

Objections may be submitted by mail or hand delivered to 2 Civic Center Drive, Scotts Valley, CA 95066, provided they are received no later than 4:30 p.m. on Sept. 22, 2026. Failure to timely object bars any right to challenge the proposed water rates through a legal proceeding. The District will provide written responses to objections prior to the conclusion of the public hearing at 6:30 p.m. on Oct. 8, 2026.

The District's Rate Study, posted on Jul. 30, 2026, constitutes the written basis for the proposed rates:

www.svwd.org/ratestudy

Note: Under California Government Code section 53759, legal challenges must be filed within 120 days after the date on which the resolution adopting the proposed rates is adopted.

UNDERSTANDING THIS NOTICE

What is the anticipated impact to a single-family household?

A median single-family household is currently paying \$91.73 a month for water service, based on 3,600 gallons used in a month. Under the proposed rates, the median household’s monthly bill is expected to be \$99.34, an increase of \$7.61.

Why did the District conduct a rate study?

One of Scotts Valley Water District’s strategic goals includes designing and managing balanced and fair revenue sources that are sufficient for meeting operating and capital needs while providing for adequate reserves. The District recognizes the challenges as it strives to provide essential services to the community, fully fund the costs of providing and sustaining good service, and keep rates and fees fair and affordable.

At the direction of the Board, the rate study process began in Nov. 2025. The goals of the study include determining the District’s revenue requirements, conducting a cost-service analysis and creating rate models that show a clear nexus between the District’s costs and customer rates.

Does the proposed increase go towards salaries and benefits?

A nominal portion of revenue received from the increase will help the District to maintain its efforts to recruit and retain a skilled workforce that receives compensation on par with similarly sized water utilities in the region.

What annual water rate increases can customers expect in the future?

The Board is committed to evaluating water rates annually and setting rates based only on District needs. The adjacent rate schedule sets the maximum allowable rate. In the past, the Board has implemented lower rates than previously adopted.

When would new water rates go into effect?

The new rates would be implemented Jan. 1, 2027.

Are there changes to the water rate structure?

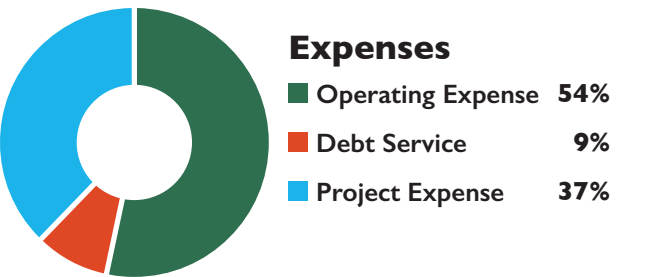
Yes, there are two changes:

- 1. **Three Tiers for Residential Volumetric Charges:** The District plans to reduce the number of tiers for Residential customers from four to three beginning in Jan. 2027.
- 2. **Discount Program Update:** The District plans to charge both Rate Assistance and Qualifying Medical Needs usage based on the Tier 1 rate.

FINANCIAL SNAPSHOT

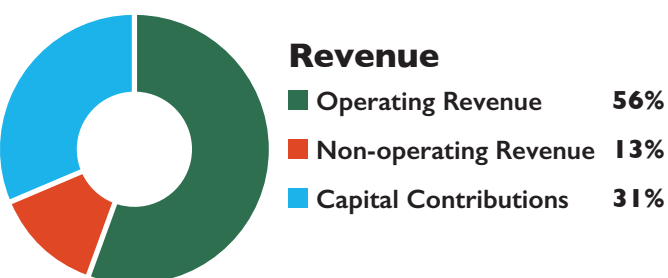
Expenses Over the Last Four Years

Annual operating expense	\$5.2 - 6.7 million
Annual debt service	\$0.7 - 1.1 million
Annual project expense	\$1.4 - 4.7 million
Total	\$7.3 - 12.5 million



Revenue Over the Last Four Years

Annual operating revenue	\$7.4 - 8.5 million
Annual non-operating revenue (property tax and other)	\$1.2 - 2 million
Annual capital contributions (grants & money paid by developers)	\$0.6 - 4.8 million
Total	\$9.2 - 15.3 million



PROPOSED 5-YEAR RATE SCHEDULE



Proposed Rates	Current FY 2026 (Jan. 2026)	Proposed FY 2027 (Jan. 2027)	Proposed FY 2028 (Jan. 2028)	Proposed FY 2029 (Jan. 2029)	Proposed FY 2030 (Jan. 2030)	Proposed FY 2031 (Jan. 2031)
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Monthly Basic Meter Charge						
5/8”	\$52.55	\$55.30	\$58.90	\$62.73	\$66.81	\$71.16
5/8” Rate Assistance (Residential)	\$36.79	\$38.71	\$41.23	\$43.91	\$46.77	\$49.82
5/8” Fire Service (Residential/Commercial)	\$13.90	\$10.99	\$11.71	\$12.48	\$13.30	\$14.17
3/4” (Multi-Residential, incl. Fire Service)	\$66.44	\$66.29	\$70.60	\$75.19	\$80.08	\$85.29
3/4”	\$73.46	\$76.15	\$81.10	\$86.38	\$92.00	\$97.98
1”	\$115.43	\$117.86	\$125.53	\$133.69	\$142.38	\$151.64
1.5”	\$229.81	\$222.11	\$236.55	\$251.93	\$268.31	\$285.76
2”	\$369.92	\$347.22	\$369.79	\$393.83	\$419.43	\$446.70
3”	\$767.76	\$743.41	\$791.74	\$843.21	\$898.02	\$956.40
4”	\$1,357.55	\$1,327.25	\$1,413.53	\$1,505.41	\$1,603.27	\$1,707.49
6”	\$2,706.40	\$2,724.32	\$2,901.41	\$3,090.01	\$3,290.87	\$3,504.78

Potable Volumetric Rates (per 100 gallons)

Residential Tiered Rates						
Tier 1	\$0.99	\$0.97	\$1.04	\$1.11	\$1.19	\$1.27
Tier 2	\$1.58	\$2.49	\$2.66	\$2.84	\$3.03	\$3.23
Tier 3	\$2.86	\$3.37	\$3.59	\$3.83	\$4.08	\$4.35
Tier 4	\$3.44	N/A	N/A	N/A	N/A	N/A

Non-Residential Uniform Rates

Commercial/Industrial/Institutional (CII)	\$1.61	\$1.71	\$1.83	\$1.95	\$2.08	\$2.22
Landscape Potable	\$2.65	\$2.31	\$2.47	\$2.64	\$2.82	\$3.01

Recycled Volumetric Rates (per 100 gallons)

Uniform						
	\$2.01	\$2.11	\$2.19	\$2.27	\$2.35	\$2.44

Qualifying Medical Needs (Residential)

	\$1.58	\$0.97	\$1.04	\$1.11	\$1.19	\$1.27
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Rate Assistance (Residential)

	\$0.99	\$0.97	\$1.04	\$1.11	\$1.19	\$1.27
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Current and Proposed Residential Monthly Tier Allotments

Residential Tiers	Residential Units with Individual Meters (Gal)	Multi-Residential with Master Meters (Gal)	Proposed Residential Tiers (Gal)
Tier 1	0-3,000	0-3,000	0-3,000
Tier 2	3,001-6,000	3,001-3,200	3,001-6,000
Tier 3	6,001-7,000	3,201-7,000	6,001+
Tier 4	7,001+	7,001+	N/A