



SEPTEMBER 2026

City of Santa Cruz Water Department Proposition 218

Notice of Proposed Water Rates

Proposed Water Rates: What You Need to Know

The Santa Cruz Water Department provides high-quality drinking water by managing local water sources, treatment facilities, and the infrastructure that delivers water to our community 24/7/365. This occurs despite emergencies, droughts and an increasingly uncertain climate. Meeting that responsibility requires continued investment in both our water infrastructure and long-term water supply.

Much of the infrastructure that collects, treats, stores and delivers water is aging and is in need of rehabilitation or replacement. At the same time, Santa Cruz's reliance on local, rainfall-dependent water sources makes our supply increasingly vulnerable to a changing climate: longer droughts and more variable weather. Continued investment is needed to reduce the risk of system failures, maintain water quality, ensure critical facilities operate during emergencies, and improve long-term water supply reliability.

The proposed rates are designed to provide the funding needed over the next five years to operate and maintain the water system, renew critical infrastructure, and advance projects that improve drought resiliency, protect and replenish groundwater, and provide greater flexibility and redundancy. The Water Rate Study ensures that rates reflect the proportional cost of providing service to each customer class, as required by California's Proposition 218.

We recognize that rate increases affect every household and business and can be especially difficult for customers on fixed or limited incomes. We have worked carefully to balance affordability with the responsibility to maintain reliable service without deferring essential costs and greater risks to future customers. The Frequently Asked Questions on pages 2-3 provide additional information about customer assistance, the proposed rate structure and planned capital investments.

The proposed rates will help maintain reliable service, replace aging infrastructure and prepare the water system for future challenges, helping ensure our community has a safe and dependable water system and a more resilient water supply for decades to come.

Heidi Luckenbach,
Director, Water Department

Nick Kurns,
Assistant Finance Director, Water Department

IMPORTANT DATES*

Virtual Community Meeting

September 24, 2026, at 5:30 p.m.

Register at santacruzca.gov/water-rates

Public Hearing

November 17, 2026, after the hour of 10 a.m.

City Hall

**Learn more on page 8.*

For more information, visit santacruzca.gov/water-rates.

Para obtener información en español, visite santacruzca.gov/water-rates.

Frequently Asked Questions

Why is a rate increase needed?

Much of the City's water infrastructure has reached or is reaching the end of its functional lifespan, a challenge that is made more urgent due to the impacts of climate change. In response, the Santa Cruz Water Department (SCWD) continues to implement a major infrastructure reinvestment program, with \$287 million needed for projects over the next five years.

If approved, when would the new rates go into effect?

The new rates would become effective on January 1, 2027.

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

A single-family household using 5 CCF ^[1] currently pays \$99.48 a month for water service. Under the proposed rates, the household's monthly water bill is expected to be \$112.07.

What are the proposed changes to water rates?

There are several changes proposed, including the rate structure and the per-unit costs of water including:

- **Increase Fixed Revenue Recovery:** The proposed readiness-to-serve charges are increasing to recover about 20% of system costs (up from 10%). While still low relative to other water utilities, this improves revenue stability for SCWD, ensuring that essential operations and capital investments remain funded.
- **Fixed Revenue Recovery Based on Meter Capacity:** Fixed charges are based on meter size using industry-standard meter equivalents. Larger meters have greater potential demand on the system, so they will see larger increases in fixed charges. This approach is consistent with standard industry rate-setting practices.
- **Consolidation of Volumetric Rate Components:** The proposed rates combine the Quantity Charge, Infrastructure Reinvestment Fee, and Rate Stabilization Fee into one volumetric rate. SCWD will continue to fund capital projects and maintain reserves through its budgeting and reserve policies, but these costs will no longer appear as separate charges on customer bills. This simplifies the bill while maintaining cost-of-service and industry-standard rate-setting practices.
- **Two Landscape Irrigation Tiers:** The proposed rate structure reduces the number of tiers from three to two for dedicated irrigation users, based on the cost-of-service analysis and customer usage patterns. Most customers stay within their water budgets, resulting in very little usage in the third tier.
- **Volumetric Drought Surcharges:** During water shortages, mandatory conservation can substantially reduce billed water use and revenue needed for essential operations. Applying drought surcharges per unit ensures that costs are recovered proportionally based on actual water usage.

Is there a difference in water rates for customers who live within the city limits of Santa Cruz vs. those who live outside the city, such as in Live Oak?

No. All customers pay the exact same water rates regardless of whether they live inside or outside city limits. The main difference is in the services customers receive. Customers within Santa Cruz city limits receive water, sewer, and refuse services. Most customers outside the city limits, such as in Live Oak, receive water service only.

^[1] CCF = 100 Cubic Feet or approximately 748 gallons.





Does the City offer financial assistance for low-income customers?

Yes. The City recognizes water service is vital and shouldn't be a financial struggle. As the proposed rate changes are considered, affordability is top of mind, and the City offers the Utility Customer Assistance Program (UCAP). Qualified, enrolled Single-Family UCAP customers receive a monthly discount applied directly to their bill, while Multi-Unit UCAP households receive a one-time utility assistance check to help offset a portion of their annual Santa Cruz Municipal Utilities costs. UCAP is available to households that have proof of enrollment in a government assistance program, such as CalFresh or Medi-Cal or in PG&E's CARE program. For more information about UCAP or to apply, visit santacruzca.gov/ucap or e-mail ucap@santacruzca.gov.

California law (Proposition 218) requires that rates must be based on the cost of providing the service. Each customer group must pay their fair share and can't be required to pay the costs incurred by another group. The law doesn't allow for separate rates for individual customers because it would result in some customers subsidizing water service costs for other customers. The UCAP program is not funded by rate revenue.

How are rate revenues used?

Rate revenues cover ongoing day-to-day operations, water treatment, system maintenance, and critical capital investments that ensure safe water continues to be available to all customers 24/7/365.

Capital Investments (2022-2026)	
Project	Cost
Newell Creek Dam Inlet/Outlet Replacement	\$100,022,000
Graham Hill Water Treatment Plant Concrete Tanks Replacement	\$51,998,000
Customer Water Meter Replacement	\$13,550,000
Water Supply Augmentation – Aquifer Storage and Recovery at Beltz Well 12	\$6,800,000
Newell Creek Pipeline Partial Replacement	\$31,000,000

Planned Capital Investments (2027-2031)	
Project	Cost
Rehabilitation of the Graham Hill Water Treatment Plant	\$222,830,000
Water Supply Augmentation - Aquifer Storage and Recovery at Beltz Wells 8 and 9	\$10,100,000
Beltz Water Treatment Plant Rehabilitation	\$30,000,000

Where can I learn more?

Learn more about proposed water rates and view the 2026 Water Rate Study at santacruzca.gov/water-rates.

Multi-Year Proposed Water Rates

Proposed Ready-to-Serve Charges

Ready-to-serve charges are a fixed charge based on the size of your water meter. These charges pay for functions such as customer service, billing, and meter servicing.

Monthly Ready-to-Serve Charge (\$/Water Meter/Month)						
Meter Size	Current	Jan. 1, 2027	Jan. 1, 2028	Jan. 1, 2029	Jan. 1, 2030	Jan. 1, 2031
5/8 inch	\$19.13	\$32.27	\$36.15	\$40.48	\$44.13	\$48.10
3/4 inch	\$19.48	\$44.30	\$49.61	\$55.57	\$60.57	\$66.02
1 inch	\$20.49	\$68.79	\$77.05	\$86.29	\$94.06	\$102.53
1 1/2 inch	\$21.86	\$128.48	\$143.90	\$161.16	\$175.67	\$191.48
2 inch	\$25.56	\$202.85	\$227.19	\$254.46	\$277.36	\$302.32
3 inch	\$53.00	\$458.85	\$513.91	\$575.58	\$627.38	\$683.84
4 inch	\$63.15	\$796.46	\$892.03	\$999.07	\$1,088.99	\$1,187.00
6 inch	\$86.84	\$1,603.52	\$1,795.94	\$2,011.45	\$2,192.48	\$2,389.80
8 inch	\$113.91	\$3,376.34	\$3,781.50	\$4,235.28	\$4,616.45	\$5,031.93
10 inch	\$144.39	\$5,037.77	\$5,642.30	\$6,319.38	\$6,888.12	\$7,508.06



Proposed Fire Service Ready-to-Serve Charges

Fire service ready-to-serve charges are only for customers who have private fire lines. These charges are based on the size of private fire lines.

Monthly Fire Service Ready-to-Serve Charge (\$/Fire Meter/Month)						
Fire Line Size	Current	Jan. 1, 2027	Jan. 1, 2028	Jan. 1, 2029	Jan. 1, 2030	Jan. 1, 2031
5/8 inch	N/A	N/A	N/A	N/A	N/A	N/A
3/4 inch	\$3.67	\$9.27	\$10.38	\$11.62	\$12.67	\$13.81
1 inch	\$3.92	\$9.39	\$10.51	\$11.77	\$12.83	\$13.99
1 1/2 inch	\$4.87	\$9.82	\$10.99	\$12.31	\$13.42	\$14.63
2 inch	\$6.53	\$10.56	\$11.83	\$13.25	\$14.44	\$15.74
3 inch	\$8.97	\$13.22	\$14.81	\$16.59	\$18.08	\$19.71
4 inch	\$22.49	\$17.82	\$19.95	\$22.35	\$24.36	\$26.55
6 inch	\$58.83	\$34.30	\$38.42	\$43.03	\$46.90	\$51.13
8 inch	\$121.90	\$62.74	\$70.27	\$78.71	\$85.79	\$93.51
10 inch	\$215.74	\$105.52	\$118.18	\$132.37	\$144.28	\$157.26



Multi-Year Proposed Water Rates Continued

Proposed Volumetric Charges

High water users place more significant demand (and higher costs) on the system than low water users. Tiered volumetric rates ensure that the more water someone uses each month, the more they pay.

Volumetric Charge (\$/CCF) ^[1]						
Customer Class	Current ^[2]	Jan. 1, 2027	Jan. 1, 2028	Jan. 1, 2029	Jan. 1, 2030	Jan. 1, 2031
Residential ^[3]						
Tier 1 (0-5 CCF)	\$16.07	\$15.96	\$17.88	\$20.03	\$21.83	\$23.79
Tier 2 (6-9 CCF)	\$23.00	\$19.69	\$22.05	\$24.70	\$26.92	\$29.34
Tier 3 (>9 CCF)	\$29.98	\$26.91	\$30.14	\$33.76	\$36.79	\$40.11
Commercial						
Commercial ^[4]	\$18.60	\$18.45	\$20.66	\$23.14	\$25.22	\$27.49
UCSC	\$19.67	\$18.50	\$20.72	\$23.21	\$25.30	\$27.57
Landscape Irrigation ^[5]						
Tier 1 (≤100% of budget)	\$32.74	\$23.90	\$26.77	\$29.98	\$32.68	\$35.63
Tier 2 (101% - 150%)	\$45.17	\$32.43	\$36.32	\$40.68	\$44.34	\$48.33
Tier 3 (151% & above) ^[6]	\$57.10	Proposed Tier 2 rates apply to all use >100% of budget.				
North Coast Agriculture						
Maintain Reliability	\$11.00	\$6.13	\$6.87	\$7.69	\$8.38	\$9.14
Decrease Reliability	\$5.50	N/A	N/A	N/A	N/A	N/A

^[1] CCF = 100 Cubic Feet or approximately 748 gallons.

^[2] Current rates reflect combined charges for Quantity Charge, Infrastructure Reinvestment Fee and Rate Stabilization Fee.

^[3] Per dwelling unit, includes single-family and multi-family.

^[4] Includes industrial, golf, bulk, fire service leaks, and temporary.

^[5] Tiers based on percent of water budget for each customer.

^[6] Tiers 2 and 3 will be combined if the proposed rates are adopted.

Proposed Elevation Surcharges

This surcharge covers the additional energy costs of pumping water to customers residing at higher elevations. Higher elevations require water to pass through a greater number of pump stations than lower elevations. Not all customers receive this charge.

Elevation Surcharge (\$/CCF) ^[1]						
Elevation Zone	Current	Jan. 1, 2027	Jan. 1, 2028	Jan. 1, 2029	Jan. 1, 2030	Jan. 1, 2031
Lift Station Zone 1	\$0.32	\$0.36	\$0.37	\$0.39	\$0.41	\$0.43
Lift Station Zone 2	\$0.61	\$0.84	\$0.88	\$0.93	\$0.97	\$1.02
Lift Station Zone 3	\$1.10	\$1.35	\$1.41	\$1.49	\$1.56	\$1.64

^[1] CCF = 100 Cubic Feet or approximately 748 gallons.

Proposed Drought Surcharges

The following table outlines the proposed Drought Surcharges that may be authorized for each Water Shortage Response Stage identified in the SCWD’s Urban Water Management Plan. If City Council declares a water shortage, these temporary surcharges are calculated as a percentage of the SCWD’s regular volumetric rates and levied in addition to those rates for all units of water consumed. Surcharges take effect only upon City Council declaration of a specific water shortage stage and terminate automatically when the shortage declaration ends.

Temporary Drought Surcharges						
Water Shortage Response Stage ^[1]	Baseline	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Associated Water Use Reduction	0%	10%	20%	30%	40%	50%
Proposed Drought Surcharge		10%	23%	40%	63%	94%

^[1] Per 2025 Urban Water Management Plan.





City of Santa Cruz Water Department
212 Locust Street, Santa Cruz, CA 95060
831-420-5200
wateradmin@santacruzca.gov
santacruzca.gov/water

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Notice of Public Hearing

The Santa Cruz City Council will hold a public hearing on the proposed water rate increases on November 17, 2026 after the hour of 10 a.m. at City Council Chambers, located at 809 Center Street, Santa Cruz. Protests can happen through the public hearing. Written objections must be received no later than November 1. View more information below.

Protesting the Proposed Rates

You are invited to appear at the hearing and present oral or written statements about the proposed rates. Any owner of a parcel subject to the proposed rates, or any tenant responsible to pay those rates, may submit a written protest against the proposed adjustments. If written protests are received from a majority of affected properties, the proposed rate increases will not be adopted. If there is no majority protest, the City Council may adopt the proposed rate increases.

In order to be counted, a protest must be in writing and include the following information: your printed name, your street address or account number with the City's water utility so the City can identify the property at issue, a clear statement that you protest the proposed water rate increase, and your signature. Protests may be mailed or hand delivered to Mayor and Council of Santa Cruz, 809 Center Street, Room 10, Santa Cruz, CA 95060, but in any event the City must receive them by the close of the public hearing on November 17, 2026. Finally, on the outside of the envelope that contains your protest, please write the phrase "Water Rate Protest" so the City can process it more efficiently.

Objecting to the Proposed Rates

If you claim the proposed rate adjustments are unlawful, whether or not a majority of affected properties submit the protests described above, you may file a legal objection with the City. Any such objection must be in writing and include the following information: (1) your printed name, original signature, and your property's street address or utility account number, (2) the specific rate or charge that you claim is unlawful, and (3) the grounds for your claim that the rate or charge is unlawful. Please note that the grounds must be sufficiently detailed to allow the City to understand it and respond appropriately. A general statement such as, "This violates state law," is insufficient. The 2026 Water Rate Study explaining the basis for the proposed rate adjustments is on the City's website.

Legal objections may be mailed or hand delivered to Mayor and Council of Santa Cruz, 809 Center Street, Room 10, Santa Cruz, CA 95060. In any event, objections must be received no later than November 1, 2026. Please note that this deadline is prior to the rate hearing on November 17, 2026 so the City may review objections and respond to them adequately at that hearing.

Failure to submit a timely objection will waive the right to challenge these rate adjustments in court, and any such action will be limited to the issues identified in that objection. If the City Council adopts the proposed rate adjustments, and you wish to challenge those rates in court, please note that there is a 120-day statute of limitations for challenging any new, increased, or extended fee or charge. (Gov. Code, § 53759.)

For more information, visit santacruzca.gov/water-rates.

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