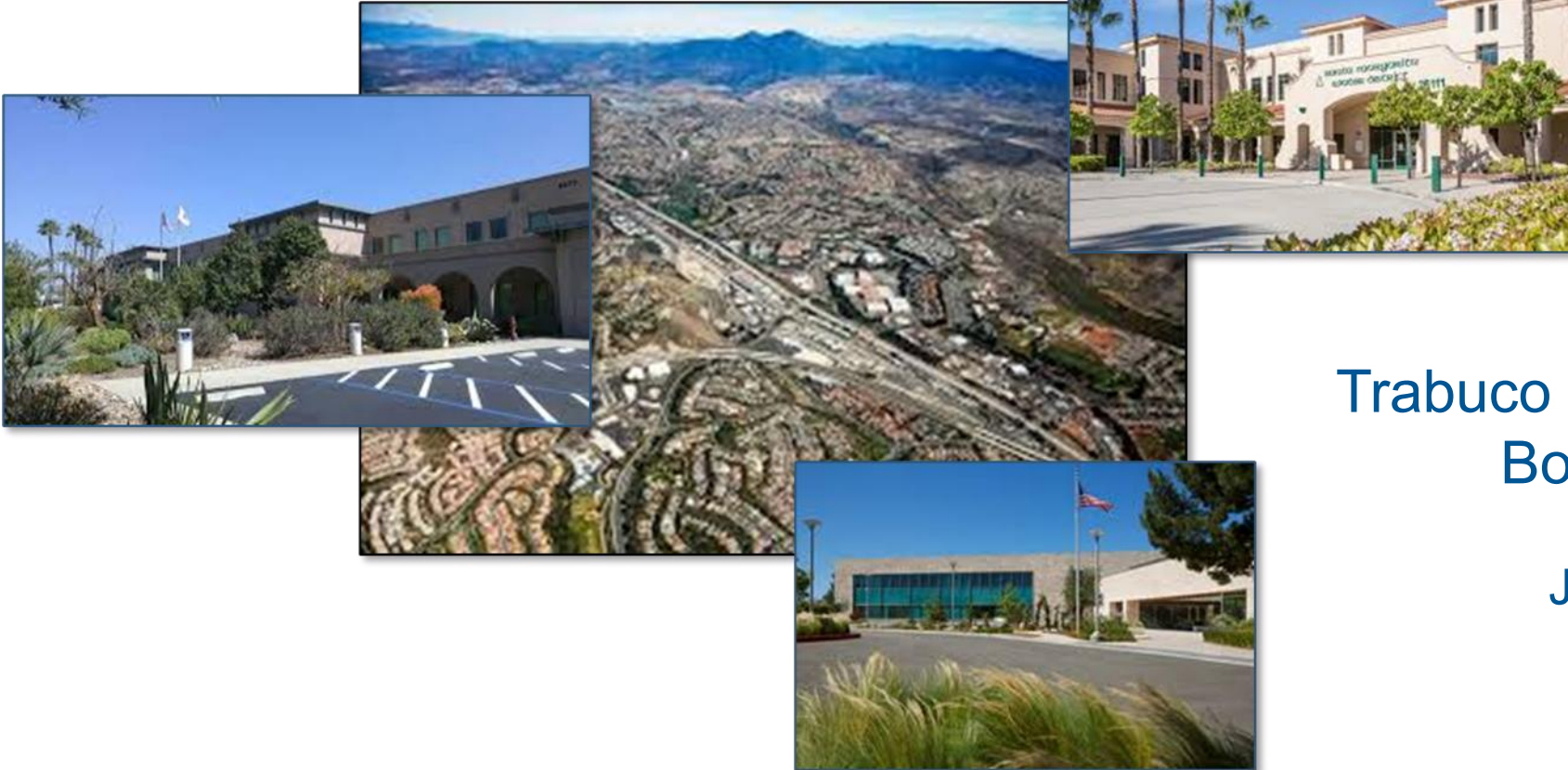


Agenda Item 7: TCWD, SMWD IRWD CONCEPTUAL APPROACH FOR CONSOLIDATION



Trabuco Canyon Water District
Board of Directors

January 21, 2026

SMWD'S / IRWD'S PROPOSED "INITIAL" TERMS TO TCWD

- a. Initial 20% Rate Reduction for TCWD customers:
 - Rate cut from TCWD rates in place when consolidation complete.
 - Future rate increases will track with SMWD rate increases.
- b. Acquisition Balance calculation / Time-frame to Rate Parity are both TBD.
 - Revenues generated by "rate differential" will pay down Acquisition Balance.
- c. 688 Dwelling Units to IRWD; 3,248 DUs + Non-Residential to SMWD.
 - Dividing line follows "extrapolated" El Toro Road.
- d. Governance Transition Plan
 - To be developed jointly with the TCWD Board.
- e. SMWD to hire TCWD staff;
 - Severance package offered as an alternative.

Proposed Boundary with IRWD



Legend

- Existing SMWD Service Area
- Existing IRWD Service Area
- Existing TCWD Service Area
- Proposed Boundary