

Central Services
Joan Araujo, Director

Engineering Services
Jim O'Tousa, Director

Roads & Transportation
Anitha Balan, Director

Water & Sanitation
Joseph Pope, Director

Watershed Protection
Glenn Shephard, Director

January 23, 2024

Board of Ventura County Waterworks District No. 38
800 S. Victoria Avenue
Ventura, CA 93009

Subject: Conduct a Public Hearing Regarding Proposed Increases to Water Rates and Monthly Service Charges; Approve the Proposed Increased Rates and Charges and Adopt a Resolution Increasing the Rates and Charges Commencing February 1, 2024, Unless Written Protests from a Majority of the Affected Customers are Received; Ventura County Waterworks District No. 38 (Lake Sherwood); Supervisorial District No. 2.

Recommendations:

1. Conduct a public hearing to hear and consider all oral and written comments, objections, and protests, if any, to the proposed increases in water rates and monthly service charges for Ventura County Waterworks District No. 38 [Lake Sherwood] (District).
2. Upon the conclusion of the hearing, approve the proposed increased rates and charges for the District, and adopt a resolution increasing the rates and charges for the District commencing February 1, 2024 (Exhibit 4), unless written protests from a majority of the affected customers are received.

Fiscal/Mandates Impact:

Mandatory:	No
Source of Funding:	District Water Customers
Funding Match Required:	None
Impact on Other Departments:	None



Summary of Revenues and Total Costs:	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Revenues:	\$ 87,608	\$ 207,498
Costs:		
Direct Costs	\$ 0	\$ 0
Indirect – Agency/Dept.	\$ 0	\$ 0
Indirect – CAP	\$ 0	\$ 0
Total Costs	\$ 0	\$ 0
Net County Cost, Including Indirects	\$ (87,608)	\$ (207,498)
Recovered Indirect Cost	\$ 0	\$ 0

Current Fiscal Year (FY) Budget Projection:

FY 2023-24 Budget Projection for Ventura County Waterworks District No. 38 – Unit 4360				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings/(Deficit)
Appropriations	\$4,218,993	\$4,328,004	\$4,328,004	\$0
Revenue	\$3,700,400	\$3,700,400	\$3,700,400	\$0
Net Cost	\$518,593	\$627,604	\$627,604	\$0

*Revenue represents the incremental increase between the proposed rates and the current rates. Fiscal Year 2023-24 revenue reflects a rate increase for five months (February 2024 through June 2024). Fiscal Year 2024-25 revenue reflects a rate increase for 12 months (July 2024 through June 2025). Approval of the proposed rates will reduce the budgeted net cost for FY 2023-24. Net cost totals include capital outlay and transfers-out.

Executive Summary:

On December 8, 2020, your Board adopted Resolution Number 20-145, a uniform 2.5% increase to all volumetric commodity (water) rates and fixed monthly service charges, determined by meter size effective March 2023. Resolution Number 20-145, also approved the District's reserve fund targets at 25% of operating expenses, 10% of operating revenue, and 2% of net assets.

Annually, as part of the budget process, water rates and monthly charges are reviewed to determine if adjustments are needed to accommodate projected expenses. This year, a rate adjustment is necessary to provide service based on actual cost-of-service, fairly and equitably distribute these costs to customers, and effectively balance the District's income with expenditures. To offset the increases in water supply, power, and labor costs, the District staff proposes a uniform 6% increase



to all volumetric commodity (water) rates and to all fixed monthly service charges (see Exhibit 4).

Background:

The District provides potable water to the community of Lake Sherwood and serves a population of 1,759. The District's entire water supply is imported water from the State Water Project, delivered through the Metropolitan Water District of Southern California and Calleguas Municipal Water District. Water rates are comprised of commodity rates and service charges. Commodity rates, based on consumption in hundred cubic feet (HCF), generally finance variable operations and maintenance (O&M) costs; while monthly service charges, based on meter size, finance a portion of fixed O&M costs, such as meter reading and billing. For more information regarding this District see attached Vicinity Map, Location Map, and Information Sheet (Exhibits 1, 2, and 3).

In addition to operations, maintenance, and capital expenditures, the reserve fund balance target is critical in determining the full cost of service. Reserve funds are an important tool in assuring the financial sustainability of a utility by addressing cash-flow needs and the lag between expenses incurred and revenue received, as well as setting aside funding for future capital repair and replacement projects.

Proposed Rates:

Water rates are comprised of commodity rates and service charges. Commodity rates, based on consumption in hundred cubic feet (HCF), generally finance variable operations and maintenance (O&M) costs; while service charges, based on meter size, finance a portion of the fixed O&M costs, such as meter reading and billing. Every year, the District evaluates the need for rate adjustments based on a variety of factors which this year include:

- Calleguas Municipal Water District's rate increase of 6%
- Estimated increase in the cost of materials up to 3%
- Estimated increase in the cost of electricity up to 4%
- Estimated increase in the labor costs of 3.5%

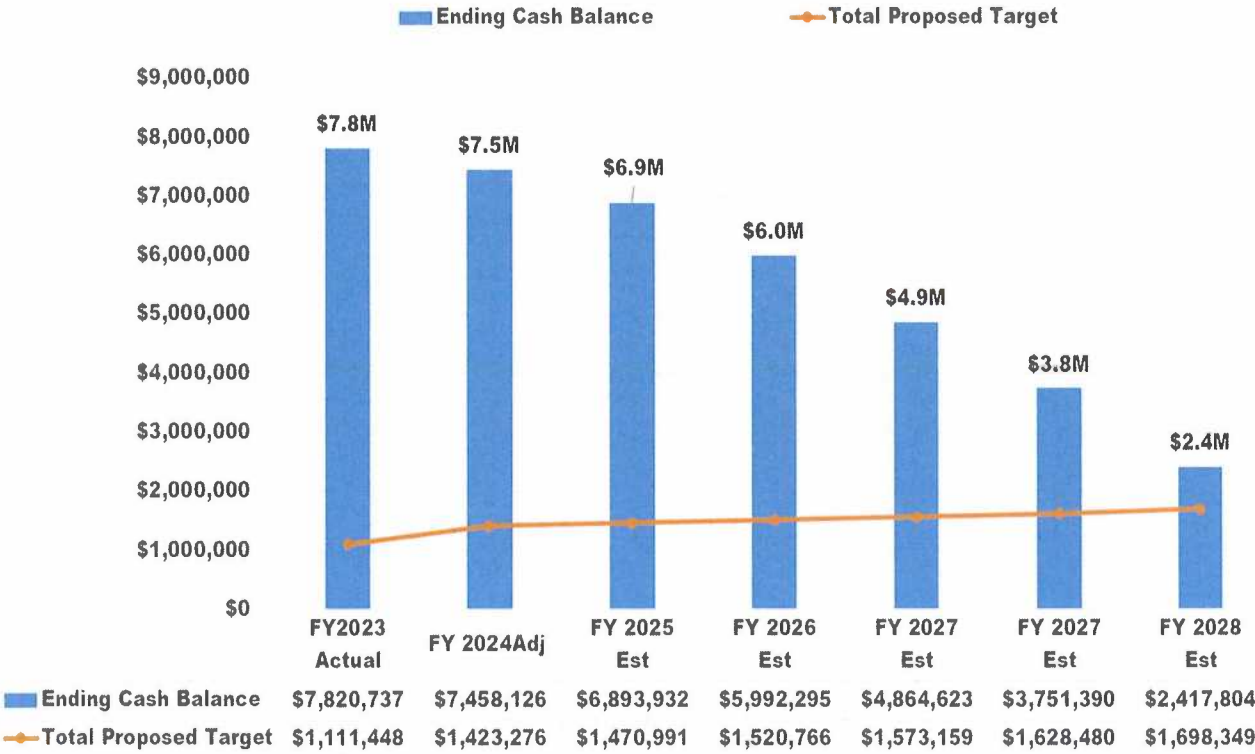
The proposed rate structure is based on an analysis of cost and revenue projections over a six-year period. To offset the increases in water supply, power, and labor costs, the District staff proposes a uniform 6% increase to all volumetric commodity (water) rates and to all fixed monthly service charges, determined by meter size effective beginning on the next regularly scheduled meter reading and billing cycle on or after February 1, 2024.



Future Year Projections and Proposed Reserves:

If the proposed increases and similar future year increases are not approved, the District's reserves will decrease due to operating losses and planned capital improvement project expenditures, resulting in below cash reserve target levels by FY 2027 (see Table 1 below).

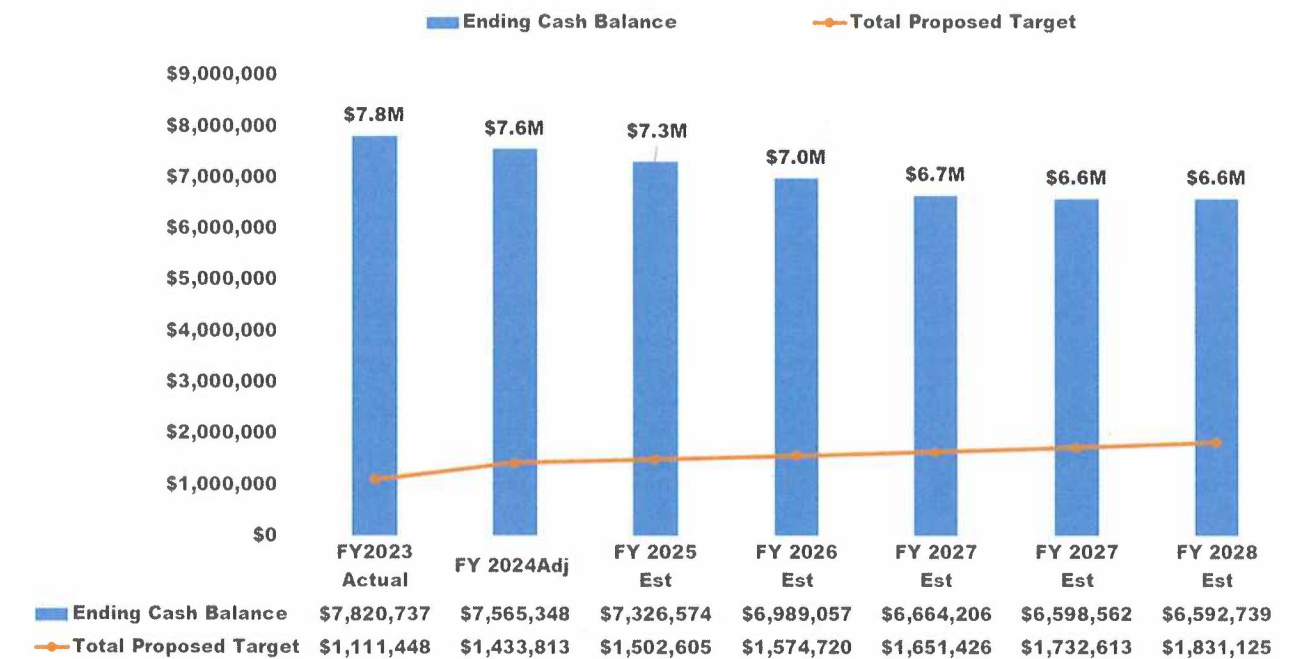
Table 1:



The graph in Table 2 below illustrates the financial impact of approving the recommended rate increases and assumes a constant annual 6% pass-through increase from Calleguas in subsequent calendar years. This will allow the District to maintain cash reserves at or near target levels through the six-year rate analysis period.



Table 2:



Public Participation:

On October 26, 2023, the District's Citizens' Advisory Committee (CAC), appointed by your Board, met to review staff's proposed increases, those in attendance concurred with the recommended rate and monthly service charge increases, but no vote was taken due to lack of a quorum.

The recommended increases are necessary to establish fair and equitable rates and charges that will allow the District to (1) meet its operational and capital expenses, as well as maintain appropriate reserves to ensure its financial stability, and (2) proportionally allocate the costs of providing service in accordance with Proposition 218.

Water rates and service charges are subject to the public hearing and protest provisions of Proposition 218. In compliance with legal notice requirements, the District mailed a notice of these proposed increases to all of its affected customers (e.g., parcel owners and directly billed tenants) at least 45 days prior to today's hearing, providing them with the date, time, and location of today's hearing, the amounts of the proposed water rate and service charge increases, as well as information concerning their right to protest the proposed increases.

Effective January 1, 2022, legal challenges to new, increased, or extended fees or charges must be brought within 120 days of either the effective date of the fee or charge



or the date of the ordinance, resolution, or motion adopting or approving the fee or charge, whichever is later.

As of the date of this letter, the District has received (1) written protest in response to the notice of proposed increases. If any additional protest letters are received by the Clerk of the Board after this date, they will be provided to your Board during the hearing.

Strategic Plan:

This item contributes to the Board of Supervisors (Board's) 2024-2027 strategic priority to provide:

- I. Fiscal responsibility and economic vitality through
 - 1. Maintaining a transparent and balanced budget, while funding essential services and implementing cost-savings measures.
- III. Reliable infrastructure and sustainability through
 - 3. Investing in sustainable infrastructure, renewable energy, and preservation of our natural resources.

This item has been reviewed by the County Executive Office, the Auditor-Controller's Office, and County Counsel.

If you have any questions regarding this item, please call me at (805) 654-2075.



Joseph C. Pope, P.E.
Director
Water and Sanitation

Attachments:

Resolution

Exhibit 1 - Ventura County Waterworks District No.38 Vicinity Map

Exhibit 2 - Ventura County Waterworks District No.38 Location Map

Exhibit 3 - Ventura County Waterworks District No.38 Information Sheet

Exhibit 4 - Proposed Water Rates and Monthly Service Charges March 1, 2024

Exhibit 5 – Protest Letter

PowerPoint Presentation

