

Central Services
Joan Araujo, Director

Engineering Services
Anastasia Seims, Director

Roads & Transportation
Anitha Balan, Director

Water & Sanitation
Vacant, Director

Watershed Protection
Jeff Palmer, Director

December 10, 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 Meter Charges Commencing January 1, 2025, 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 January 1, 2025 (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 2024-25</u> | <u>FY 2025-26</u> |
| Revenues: | \$ 155,598 | \$ 387,738 |
| Costs: | | |
| Direct Costs | \$ 0 | \$ 0 |
| Indirect – Agency/Dept. | \$ 0 | \$ 0 |
| Indirect – CAP | \$ 0 | \$ 0 |
| Total Costs | \$ 0 | \$ 0 |
| Net County Cost, Including Indirect | \$ (155,598) | \$ (387,738) |
| Recovered Indirect Cost | \$ 0 | \$ 0 |

Revenue represents the incremental increase between the proposed rates and the current rates. Fiscal Year 2024-25 revenue reflects a rate increase for six months (January 2025 through June 2025). Fiscal Year 2025-26 revenue reflects a rate increase for 12 months (July 2025 through June 2026). Approval of the proposed rates will reduce the budgeted net cost for FY 2024-25.

Current Fiscal Year (FY) Budget Projection:

| FY 2024-25 Budget Projection for Ventura County Waterworks District No. 38 – Unit 4360 | | | | |
|---|-------------------|--------------------|---------------------|--------------------------------|
| | Adopted Budget | Adjusted Budget | Projected Budget | Estimated Savings/(Deficit) |
| Expenditures | \$5,023,266 | \$5,172,111 | \$5,172,111 | \$0 |
| Revenue | \$4,341,712 | \$4,341,712 | \$4,341,712 | \$0 |
| Net Operating Gain/Loss | \$681,554 | \$830,399 | \$830,399 | \$0 |

Executive Summary:

On January 23, 2024, your Board adopted Resolution No. 24-014, approving a uniform 6% increase to all volumetric commodity (water) rates and fixed monthly service charges, effective February 2024.

As part of the budget process, water rates and monthly charges are reviewed annually 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.

The proposed water rate adjustments are based on an analysis of cost and revenue projections over six years. To offset the increases in water supply, power, and labor costs, the District staff proposes a pass-through rate increase of Calleguas Municipal Water District (CWMD) rate adjustments for January 2025 (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 (CMWD). For more information regarding this District see the 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-service cost. 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 9.5%
- Estimated increase in the cost of power up to 4%
- Estimated increase in labor costs of up to 5%
- Estimated increase in the cost of materials up to 3%

The proposed rate structure is based on an analysis of cost and revenue projections over six years. To offset the increases in water supply, power, and labor costs, the District staff proposes a uniform 9.5% 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 January 1, 2025.

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 cash reserves steadily declining in future years. The financial impact of approving the recommended rate increases assumes a constant annual 6% increase in subsequent calendar years. This will allow the District to maintain cash



reserves at or near reserve fund balance target levels through the end of the rate analysis period.

The District uses the best available information to calculate proposed increases in the cost of imported water purchases from CMWD. The District has no control over the rates set by CMWD and must pass those costs through to customers.

Public Participation:

On September 30, 2024, the District's Citizens' Advisory Committee (CAC), appointed by your Board, met to review staff's proposed increases and unanimously concurred with the recommended 9.5% rate and monthly service charge increases.

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, on or before October 21, 2024, the District mailed a notice of these proposed increases to all of its affected customers (e.g., parcel owners and directly billed tenants), providing them with the date, time, and location of this public 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 no protests 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 the undersigned at (805) 654-2373.

Sincerely,



David Fleisch, P.E.
Assistant Director

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

