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June 6, 2023

Board of Ventura County Waterworks District No. 1
800 S. Victoria Avenue
Ventura, CA 93009

Subject: Conduct Public Hearing Regarding Proposed Increases to the Sewer and Agricultural Water Rates and the Monthly Potable and Reclaimed Water Meter Charges, and Continuing to Collect Existing Water Standby Charges; Adoption of a Resolution Continuing Collection of Existing Water Standby Charges as Part of the County Tax Roll for Fiscal Year 2023-24, Unless Written Protests From a Majority of the Affected Customers are Received, Increasing Rates and Charges Commencing July 1, 2023; Waterworks District No. 1 (Moorpark); Supervisorial District No. 4.

Recommendations:

1. Conduct a public hearing to hear and consider all oral and written comments, objections, and protests, if any, to the proposed increases to the sewer and agricultural water rates and the monthly potable and reclaimed water service charges as shown in Exhibit 4, effective beginning on the next regularly scheduled meter reading and billing cycle on or after July 1, 2023.
2. Upon the conclusion of the hearing, adopt the Resolution (i) to continue collecting the existing water standby charges for fiscal year 2023-24, as shown in Exhibit 5, as part of the annual general county tax bill, (ii) to increase the sewer and agricultural water rates, (iii) to increase the monthly water service charges, and (iv) unless written protests from a majority of the affected customers are received, increase the District's rates and charges.



Fiscal/Mandates Impact:

Potable Water:

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 2022-23</u>	<u>FY 2023-24</u>
Revenues:	\$ 0	\$ 223,391
Costs:		
Direct Costs	\$ 0	\$ 0
Indirect – Agency/Dept.	\$ 0	\$ 0
Indirect – CAP	\$ 0	\$ 0
Total Costs	\$ 0	\$ 0
Net County Cost, Including Indirects	\$ 0	\$(223,391)
Recovered Indirect Cost	\$ -	\$ -

Revenue represents the incremental increase between the proposed rates and the current rates. FY 2023-24 revenue reflects a rate increase for 12 months (July 2023 through June 2024). Approval of the proposed rates will reduce the budgeted net cost for FY 2023-24.

Current Fiscal Year (FY) Budget Projection:

Current FY 2022-23 Budget Projection for Ventura County Waterworks District No. 1 – Unit 4300				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Saving/(Deficit)
Appropriations	\$27,566,200	\$28,421,800	\$ 24,283,024	\$4,138,776
Revenues	\$20,197,700	\$20,197,700	\$17,384,832	(\$2,812,868)
Net Cost	\$ 7,368,500	\$ 8,224,100	\$ 6,898,192	\$1,325,908

Net Cost totals include capital outlay and transfers-out.



Sewer and Reclaimed Water:

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

Summary of Revenues and Total Costs:	<u>FY 2022-23</u>	<u>FY 2023-24</u>
Revenues:	\$ 0	\$ 159,951
Costs:		
Direct Costs	\$ 0	\$ 0
Indirect – Agency/Dept.	\$ 0	\$ 0
Indirect – CAP	\$ 0	\$ 0
Total Costs	\$ 0	\$ 0
Net County Cost, Including Indirects	\$ 0	\$(159,951)
Recovered Indirect Cost	\$ 0	\$ 0

Revenue represents the incremental increase between the proposed rates and the current rates. Fiscal Year 2023-24 revenue reflects a rate increase for 12 months (July 2023 through June 2024). Approval of the proposed rates will reduce the budgeted net cost for FY 2023-24.

Current Fiscal Year (FY) Budget Projection:

Current FY 2022-23 Budget Projection for Ventura County Waterworks District No. 1 – Unit 4305				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Saving/(Deficit)
Appropriations	\$18,093,250	\$18,622,360	\$ 15,297,400	\$3,324,960
Revenues	\$ 12,342,500	\$ 12,342,500	\$ 9,623,200	(\$2,719,300)
Net Cost	\$ 5,750,750	\$ 6,279,860	\$ 5,674,200	\$605,660

Net Cost totals include capital outlay and transfers-out.



Executive Summary for Potable Water:

The Ventura County Waterworks District No. 1 (District) provides water to the City of Moorpark (City) and contiguous areas to the north and west of the City limits. The District distributes imported water from the State Water Project, delivered through the Metropolitan Water District of Southern California (Metropolitan) and Calleguas Municipal Water District (CMWD), as well as groundwater pumped from its local wells. In 2022, approximately 73% of water delivered was from imported sources, 18% was from local groundwater, and 9% from recycled water.

On December 12, 2017, your Board approved resolution 17-141, a cost-of-service-based restructuring of an increase in the District's water rates and service charges, including a "glide path" increase for agricultural rates that spread the 115% recommended increase to achieve full cost of service compliance over a period of several years. On April 26, 2022, in Resolution 22-056, your Board approved CMWD's pass-through rate for up to five years. On July 6, 2022, CMWD's Board of Directors approved a combined wholesale potable water increase of 4.5%, effective January 1, 2023.

Background for Potable Water:

Annually, as part of the budget process, the rates are reviewed to determine if adjustments are needed to accommodate projected expenses. As required by Government Code section 53756, the pass-through of the CMWD rate requires a 30-day notice which was mailed to customers before December 1, 2022, notifying customers of the 4.5% rate increase effective January 1, 2023.

Proposed Water Rates and Monthly Service Charges:

On March 14, 2017, your Board approved a cost-of-service-based restructuring of and increase in the District's water rates and service charges, including a "glide path" increase for agricultural rates that spread the 115% increase recommended to achieve full cost of service compliance over a period of several years. To maintain the agricultural water "glide path," staff recommends a 5.5% increase to the agricultural water rate. This increase will result in full agricultural customer cost-of-service compliance by FY 2024.

Staff also proposes a 3.5% increase to correct two potable monthly meter charges as shown in Exhibit 4. These two potable monthly meter charges were incorrectly calculated on the notice mailed to customers before December 1, 2022, for the 4.5% pass-through increases.



Future Year Projections and Proposed Reserves for Potable Water:

The financial impact of approving the recommended rate increases and similar, subsequent calendar year increases, along with the pass-through rates that were effective January 2023 will allow the District to maintain cash reserves at or near target levels through the six-year rate analysis period.

Executive Summary for Sewer and Reclaimed Water:

The District also provides reclaimed water and sanitation services to the City and the contiguous areas to the north and west of the City limits. The Moorpark Wastewater Treatment Plant (MWTP) and Tertiary Treatment Facility is located west of the City along Highway 118, and has the capacity to:

- Collect sewage via a system that consists of approximately 107 miles of sewer lines and four (4) sewer lift stations;
- Process 5.0 million gallons per day (MGD);
- Produce 1.5 MGD of reclaimed water for irrigation of MWTP, landscaping, the Moorpark County Club Golf Course, the Rustic Canyon Golf Course, and some agricultural customers; and
- Distribute reclaimed water through a system consisting of seven (7) miles of pipeline, one booster pump station, and 1.5-million-gallon storage reservoir.

On April 26, 2022, in Resolution Number 22-056, your Board approved increases of the reclaimed water meter charges to bring them into parity with the potable water meter charges.

Annually, as part of the budget process, the sewer rates are reviewed to determine if adjustments are needed to accommodate projected expenses. This year, staff recommends an increase to the sewer rate from \$28.00 per month per Equivalent Residential Unit (ERU) to \$29.00 and increases to the reclaimed fixed rate meter monthly charges as shown in Exhibit 4.

Water standby charges per section 55501.5 of the Water Code and section 54984 et seq. of the Government Code authorize a county waterworks district to establish a water standby charge in areas where water service is available, whether such service is used or not. This charge has remained the same since FY 1996-97. Annually we ask the Board to approve standby charges be collected as part of the annual general county tax bill.



Background for Sewer and Reclaimed Water:

Annually, as part of the budget process, the rates are reviewed to determine if adjustments are needed to accommodate projected expenses. This year, rate adjustments are necessary to provide service based on the actual cost-of-service, fairly and equitably distribute these costs to customers and effectively balance the District's income with expenditures including:

- Minimal growth in the number of sewer customers
- Increase in power cost of approximately 3.5%
- Increase in labor cost of approximately 3.5%
- Increase in treatment costs of approximately 3.5%
- Funding for planned capital improvement projects to be financed through low interest loans

Staff conducted a cost of service (COS) analysis to evaluate cost allocation of reclaimed water production and distribution, and sewage collection and treatment. Staff concluded that the current rates no longer fully recover operating costs and if not changed, will continue to contribute to depletion of cash reserves. The District's goal is to adjust the rate to recover all costs associated with treatment, supply, maintenance and delivery.

Proposed Sewer and Reclaimed Water Rates:

As part of the COS analysis, staff evaluated the reclaimed water monthly service charges for agricultural and non-agricultural meters. Staff determined the charges should be in alignment with the potable meter charges regardless of whether they serve agricultural or non-agricultural customers. The reclaimed water meter charges are now at parity with the potable meter charges.

Based on the COS analysis, Staff recommends a 3.7% or \$1.00 a month per ERU for the monthly sewer charges and 4.5% adjustments to the reclaimed water fixed meter charges, as shown in Exhibit 4. An increase to the reclaimed water commodity rates is not recommended.

Future Year Projections and Proposed Reserves:

With no sewer rate increase, the cash reserves will be significantly depleted and remain below target reserve levels beyond FY 2026. With the proposed rate increase, cash balances will remain above targeted levels is required to provide safe operation and maintenance of the sewer system and to finance capital improvement projects.



Background on Water Standby Charges:

Section 55501.5 of the Water Code and section 54984 et seq. of the Government Code authorize a county waterworks district to establish a water standby charge in areas where water service is available, whether such service is used or not. In FY 1996-97, the District imposed a water standby charge of \$46.82 per acre (or per parcel less than one acre), up to a maximum charge based on five (5) acres. This charge has remained the same since that time.

Because an increase in this charge would require voter approval under Proposition 218, we recommend that your Board keep the standby charge unchanged for FY 2023-24. There are seven (7) parcels of varying acreage in the District subject to the water standby charge; this would generate approximately \$1,498 in revenue, as shown on Exhibit 4.

Because District staff has provided your Board with a description of each parcel for which a charge would be billed, together with the amount of the charge applicable to each parcel, as shown in Exhibit 4, these charges may be collected as part of the annual general county tax bill.

Public Participation:

On March 9, 2023, the District's Citizens' Advisory Committee (CAC), appointed by your Board, met to review the District staff's proposed increases, and unanimously concurred with the recommended rates and charges. Separately, the proposed rates were shared with the Moorpark City Manager.

The recommended adjustments are necessary to establish fair and equitable rates and charges that would 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.

Sewer rates and service charges are subject to the majority protest provisions of Proposition 218. In compliance with legal notice requirements, on or before April 7, 2023, the District mailed a public notice of the proposed increases to all 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.

Section 53759 of the Government Code, effective January 1, 2022, places a 120-day statute of limitations for challenging any new, increased, or extended fee or charge from the effective date or date of the final passage, adoption, or approval of the ordinance, resolution, or motion, whichever is later.



As of the date of this letter, the District has received six (6) written protests in response to the proposed increases which are included as Exhibit 6. 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.

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.1 Vicinity Map

Exhibit 2 - Ventura County Waterworks District No.1 Location Map

Exhibit 3 - Ventura County Waterworks District No.1 Information Sheet

Exhibit 4 - Proposed Water Rates and Monthly Service Charges July 1, 2023

Exhibit 5 - Schedule of Water Standby Charges for Fiscal Year 2023-24

Exhibit 6 - Protest Letters

PowerPoint Presentation

