

Central Services
Joan Araujo, Director

Engineering Services
James O'Tousa, Director

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Water & Sanitation
Joseph Pope, Director

Watershed Protection
Glenn Shephard, Director

December 19, 2023

Board of Ventura County Waterworks District No. 19
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 January 1, 2024, Unless Written Protests from a Majority of the Affected Customers are Received; Ventura County Waterworks District No. 19 (Somis); 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. 19 [Somis] (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, 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:	FY 2023-24	FY 2024-25
Revenues:	\$ 101,946	\$ 203,892
Costs:		
Direct Costs	\$ 0	\$ 0
Indirect – Agency/Dept.	\$ 0	\$ 0
Indirect – CAP	\$ 0	\$ 0
Total Costs	\$ 0	\$ 0
Net County Cost, Including Indirects	\$ (101,946)	\$ (203,892)
Recovered Indirect Cost	\$ 0	\$ 0

Current Fiscal Year (FY) Budget Projection:

Current FY 2023-24 Budget Projection For Ventura County Waterworks District No. 19 – Unit 4340				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings/(Deficit)
Appropriations	\$8,633,363	\$9,322,640	\$9,322,640	\$0
Revenue	\$6,306,300	\$6,306,300	\$6,306,300	\$0
Net Costs	\$2,327,063	\$3,016,340	\$3,016,340	\$0

*Revenue represents the incremental increase between the proposed rates and the current rates. Fiscal Year 2023-24 revenue reflects a rate increase for six months (January 2024 through July 2024). FY24-25 revenue reflects a rate increase for twelve (12) months (July 2024 through June 2025). Approval will reduce the budget cost for FY24. Net cost totals include capital outlay and transfers-out.

Executive Summary:

On May 24, 2022, your Board adopted Resolution Number 22-071, approving a uniform 2.5% increase to all volumetric commodity (water) rates and fixed monthly service charges, determined by meter size effective July 2022. On December 8, 2020, your Board adopt Resolution Number 20-144, approving surcharges to fund the costs of a construction loan for Well 2 Treatment Plant and legal fees incurred in the Los Posas Basin adjudication, the latter of which have been successfully collected.

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 7.5% increase to all volumetric commodity (water) rates and to all fixed monthly service charges (Exhibit 4).

Background:

The District, see Exhibits 1 and 2, Vicinity and Location Maps; was formed on November 4, 1980, when it assumed responsibility for the Rancho Las Posas Mutual Water Company. When the District took over the water system, it was in disrepair and interruptions in service were frequent. Since that time, the District has worked diligently to reduce service interruptions and to improve water quality. However, 70,000 feet (30%) of the 234,000 feet of pipeline maintained by the District was constructed prior to 1960. The old, undersized, and flow-restricting waterlines need to be replaced. The total estimated cost to replace priority pipelines and to improve the water quality is approximately \$10 million to \$20 million. For more information on the District and its major projects and challenges see Exhibit 3.

In 2023, locally pumped groundwater accounted for approximately 94% of the District's water, reinforcing the importance of maintaining the District's groundwater rights as a means of preserving affordability to the ratepayers. The Las Posas Basin adjudication threatened the District's legal rights to continue pumping at historical groundwater levels. Your Board approved a settlement agreement in 2019 that was approved by the court, increasing the District's pumping allocation to pre-Fox Canyon Groundwater Management Agency Emergency Ordinance E levels and permanently securing the District's prescriptive groundwater rights.

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 cost of labor of 3.5%
- Well #4 pump replacement in 2024
- Pipeline replacement Highway 118 in 2024
- 571 Reservoir Pump Station in 2024

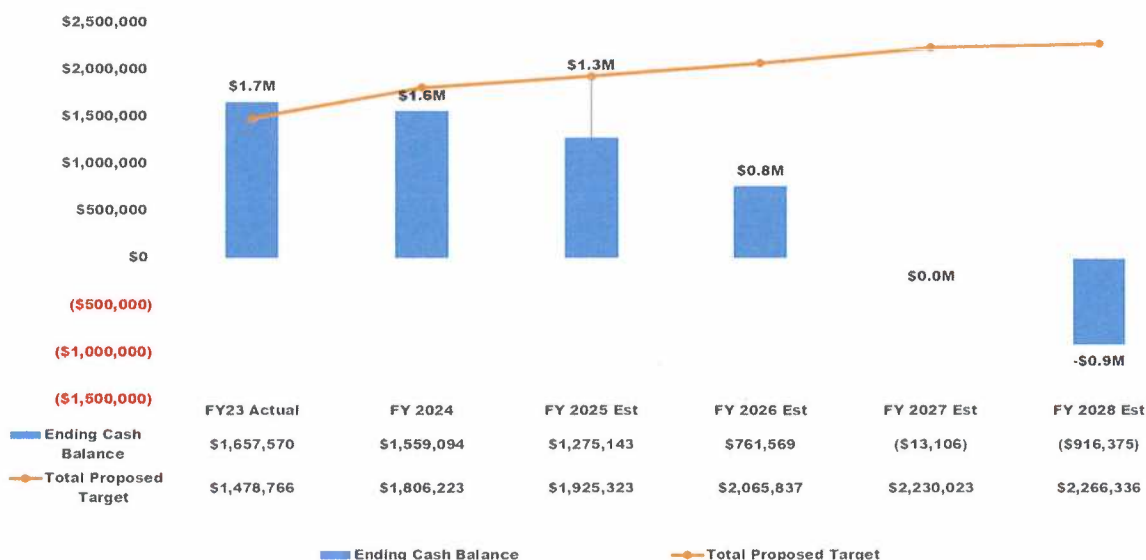


The proposed rate structure is based on an analysis of cost and revenue projections over a five-year period. To offset the increases in water supply, power, and labor costs, the District staff proposes a uniform 7.5% increase to all volumetric commodity (water) rates and to all fixed monthly service charges, determined by meter size effective beginning on the next regularly scheduled meter reading and billing cycle on or after January 1, 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 a negative cash balance by FY 2027 (see Table 1 below).

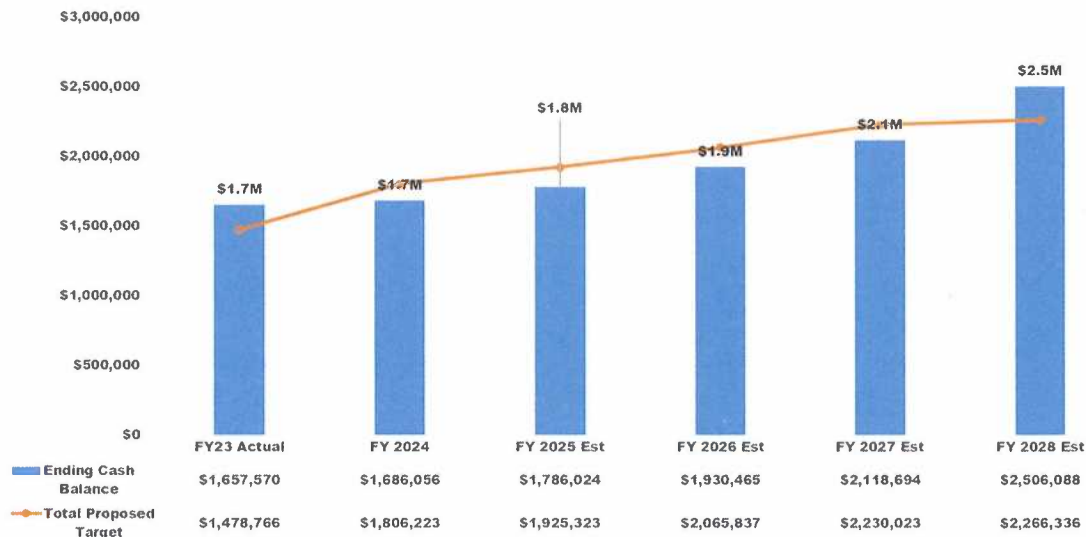
Table 1:



The graph in Table 2 below illustrates the financial impact of approving the recommended rate increases and assumes a constant annual 7.5% increase to all volumetric commodity (water) rates and to all fixed monthly service charges. This will allow the District to maintain cash reserves at or near target levels through the five-year rate analysis period.



Table 2:



Public Participation:

On October 19, 2023, the District's Citizens' Advisory Committee (CAC), appointed by your Board, met to review staff's proposed increases and unanimously concurred with the recommended 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 majority protest provisions of Proposition 218. In compliance with legal notice requirements, the District mailed a public 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 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 1 written protest in response to the proposed increases which are included as Exhibit 5. 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.19 Vicinity Map

Exhibit 2 - Ventura County Waterworks District No.19 Location Map

Exhibit 3 - Ventura County Waterworks District No.19 Information Sheet

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

Exhibit 5 - Protest Letters

PowerPoint Presentation

