

Representing:

Camarillo Airport
County Service Area No. 29 (North Coast)
County Service Area No. 30 (Nyeland Acres)
County Service Area No. 34 (El Rio)
Juvenile Justice Center
Lake Sherwood Community Services District
Todd Road Jail

Water & Sanitation Department

R. Reddy Pakala
Director

Anne Dana
Administration

Satya Karra
Operations

Cefe Munoz
Engineering

December 8, 2009

Board of Directors
Lake Sherwood Community Services District
800 S. Victoria Avenue
Ventura, CA 93009

Subject: Revisions to Rules and Regulations, Lake Sherwood Community Services District; Approve Resolution Amending Rules and Regulations; Supervisorial District No. 2

Recommendations:

1. Hear and consider all oral and written presentations on the proposed revisions to the Rules and Regulations (R&Rs) for Lake Sherwood Community Services District (District).
2. Approve the attached Resolution amending the District's R&Rs as shown in Exhibit 1 thereto.

Fiscal/Mandates Impact:

The fiscal impact is unknown at this time as the District is unsure of what the customer response will be to the water conservation measures. However, any revenue received for penalties assessed to the District's customers will be used to offset the District's increased water costs.

Discussion:

The Water and Sanitation Department is responsible for the administration, operations and maintenance of the District's water system. The District provides imported water



from the State Water Project, through Metropolitan Water District (Metropolitan) and Calleguas Municipal Water District (Calleguas) the District's direct water supplier.

As your Board knows, Southern California is facing an unprecedented series of challenges to its water supply. A federal court has curtailed water deliveries from Northern California due to environmental factors in the Sacramento-San Joaquin Delta. Last spring, Governor Schwarzenegger declared an official statewide drought, which is still in effect. In addition, the Colorado River, the other major source of imported water supply for Metropolitan, has experienced drought conditions for eight of the last nine years. Consequently, Southern California's imported water supply has been severely impacted. Water conservation today is more important than ever.

WATER CONSERVATION

Metropolitan Model Water Conservation Ordinance

Metropolitan drafted a Model Water Conservation Ordinance to set forth recommended conservation measures for different levels of water supply shortages. All water purveyors receiving water supply from Metropolitan have been encouraged to adopt the model water conservation measures in the ordinance. Most of these salient conservation measures were previously adopted by your Board and have been in place since 1991. To promote water conservation and water awareness, your Board also approved a tiered water rate structure in 1991, which is still in place. However, in addition to permanent water conservation measures, Metropolitan's Model Water Conservation Ordinance recommends three additional levels of water conservation measures, based on Metropolitan's water supply conditions. Therefore, we are proposing several revisions to the District's R&Rs concerning water conservation.

District's Water Conservation Rules and Regulations

The District has always encouraged water conservation through its R&Rs, conservation programs, and public outreach. In view of the seriousness of the drought in the District's service area and in the areas which produce the District's water supplies, efficient use of water supplies is urgently needed. Therefore, we are proposing changes to the District's water conservation R&Rs, primarily in Parts 1 and 2, to meet most of the recommendations in Metropolitan's Model Water Conservation Ordinance, including the three levels of water conservation measures, and to provide the District with the authority to monitor and implement sound water conservation practices, particularly in times of water shortages or reduced level of water supply. These revisions will also allow the District to respond quickly to changes in Metropolitan's water supply conditions and provide a means to implement conservation allocations that correspond to Metropolitan's declared level of water supply conditions. The recommended revisions to the water conservation R&Rs are shown in Exhibit 1 to the

attached Resolution. Based on the FY 09/10 water supply conditions as declared by Metropolitan, upon approval of the attached Resolution amending the District's R&Rs, the District will declare a Level 1 Water Supply Shortage and impose Level 1 water conservation measures pursuant to the revised water conservation R&Rs.

Public Outreach

To assist customers in their efforts to conserve, the District will continue to promote water conservation programs, particularly those related to conserving water outdoors. On August 11, 2009, your Board authorized the District to sign an MOU with the City of Oxnard and other local agencies to participate in a Water Wise Website Program. The website is up and running and provides excellent information about water wise gardens and drought tolerant plants. The website uses images from our local communities, and includes a drought tolerant plant database, revolving conservation messages, garden tours and galleries, and garden resources. The website will serve as a water efficient design tool for customers. A comment was placed in the District's bills directing customers to the website.

In addition, the District has been offering Water Wise Gardener workshops periodically on Saturdays to customers. The District has received very positive feedback regarding this program and plans to offer more workshops in the future.

WATER ALLOCATIONS

Metropolitan/Calleguas Water Allocations

In April 2009, Metropolitan declared a change in its water supply condition to Condition 3 which required implementation of water rationing measures for its member agencies (MA), including Calleguas, to take effect on July 1, 2009. MA allocations for July 2009 through June 2010 are based on a 15% reduction of the MA's average water purchases during 2004 through 2006. In response, Calleguas also implemented a 15% reduction in water allocations for its purveyors, such as the District. Penalties will be assessed to any purveyor exceeding its allocations. For water used over its allocation, up to 15% greater than the allocation, a purveyor will pay a penalty of \$1,622 per acre foot (AF). With this penalty, a purveyor will be paying \$2,560/AF (\$1,622 plus Calleguas Tier I rate of \$938/AF) for every AF over the allocation. Using more than 15% over its allocation will subject the purveyor to a penalty of \$3,244/AF, which will result in a cost of \$4,182/AF (\$3244 plus \$938) for every AF over 115% of the allocation.

The Metropolitan/Calleguas allocations are annual allocations, and penalties will be assessed to the purveyors at the end of the current fiscal year. Therefore, in addition to the revisions to the water conservation R&Rs, we are recommending revisions to the Incremental Interruption Plan in the District's R&Rs to encourage water conservation

and help reach a 15% reduction in water use. The recommended revisions are explained below and shown in Exhibit 1 to the attached Resolution.

District Allocations

Incremental Interruption Plan

The District's R&Rs include an Incremental Interruption Plan (IIP), which establishes water rates and allocations for Municipal and Industrial (M&I) customers within the District. The IIP allows for reductions of allocations and increases in Tier II and Tier III disincentive charges as necessitated by water supply conditions and/or reductions in water allocations imposed by Metropolitan and Calleguas. There are currently three levels of the IIP. IIP Level 1 (IIP1) allocations and commodity rates are implemented under normal water supply. Tier I water rates are the same at each level of the IIP. At IIP Level 2 (IIP2) and IIP Level 3 (IIP3), the Tier II and Tier III rates increase, and the Tier I, Tier II, and Tier III allocations are reduced. The District may implement IIP2 or IIP3 rates and allocations in response to water supply conditions and/or mandatory reductions imposed by the District's water supplier.

We are recommending that the percentage of allocation reduction for M&I customers, including irrigation only accounts for large landscape water customers, be 10% at IIP1, 15% at IIP2, and 25% at IIP3. Changing the IIP allocations will require changes to the District's R&Rs, primarily Part 2, as shown in Exhibit 1 to the attached Resolution.

Based on the current water supply conditions, upon approval of the attached Resolution amending the District's R&Rs, the District will implement IIP2 allocations and Tier II and Tier III disincentive charges, commencing with the January 2010 billing.

Water consumption within the District is being monitored. If the desired reductions are not achieved by the end of this fiscal year, the District intends to come back to your Board with a new water allocation plan for M&I customers based on interior and exterior water usage.

OTHER REVISIONS TO DISTRICT RULES AND REGULATIONS

In addition to the proposed revisions concerning water conservation and water allocations, we are proposing to revise the District R&Rs in a number of other respects. Some of the material revisions, all of which are shown in Exhibit 1 to the attached Resolution, are summarily described below.

Part 1

Section A – Rules for Definition of Terms

We are proposing to revise the definitions in Part 1 of the District's R&Rs to better define the person and responsibilities of the person stated in certain titles. These revisions will require changes throughout the R&Rs where these titles are referenced.

Section E – Services to Users Outside District

Section E of Part 1 of the R&Rs presently addresses water sold to users located outside the District service area on a "surplus water available" basis. It was recently brought to our attention that, pursuant to California Government Code section 56133, districts cannot provide new or extended services outside of their jurisdictional boundaries except in specified circumstances. One of the specified circumstances involves "surplus water" but only where the water is provided to "agricultural lands and facilities. . . for projects that serve conservation purposes or that directly support agricultural industries." Rather than limiting Part 1, Section E, of the R&Rs to this "surplus water" circumstance only, we recommend eliminating references to "surplus water" (here and throughout the R&Rs) and revising the section, as shown in Exhibit 1 to the Resolution, to reflect the requirements of Government Code section 56133. In connection with these proposed revisions, the District recently stopped providing fire hydrant meter service to six property owners within the Hidden Valley Municipal Water District service area in accordance with Government Code section 56133 requirements.

Section K – Water Shortages

The Districts' current R&Rs state that any emergency water restrictions or water service interruptions are to be ordered by the District Engineer and that the Engineer shall obtain authorization from the Board of Directors at their first meeting following such restriction order.

To provide for more efficient operations and to streamline the process, we are recommending that the Director be given the authority to declare emergency water restrictions or interruptions in service due water system emergencies as identified in Rule 1-K-1a in Exhibit 1.

Per the proposed Rule 1-K-1b as shown in Exhibit 1, we are recommending that emergency water restrictions or service interruptions due to emergencies other than the water system emergencies mentioned in Rule 1-K-1a, (such as natural disaster, epidemic, accident, war, other violent activity, labor dispute, civil disturbance or state or federal statute or executive or judicial order) be ordered by the Engineer as the Engineer in his or her sole discretion, deems appropriate under the circumstances. The

Engineer shall then obtain ratification from the Board of Directors at their first meeting following such restriction order.

Part 2

Section A – Water Use – Domestic and Industrial

Deposit from Applicants

Trust deposits are currently required in the District when an account is opened but may be waived under specified circumstances. In addition to the existing circumstances, we are recommending that the District's R&Rs be revised to provide that a trust deposit may be waived, at the discretion of the Director, or his or her authorized representative, for a property owner who applies for service at the property, if the property owner has not previously had an unacceptable payment history with any of the districts managed by the Water and Sanitation Department.

Monthly Allocations

Currently the District's R&Rs show bi-monthly service charges and allocations. However, District customers are billed monthly; therefore, we are recommending that the R&Rs be changed to reflect monthly service charges and allocations.

Section B – Water Rates for Miscellaneous Services

Classes of Service

We are recommending that all references in this section and, where appropriate, elsewhere in the R&R to "surplus water" be changed to "temporary water supply." We further recommend that the R&Rs be revised to state that the service charge and commodity rate for temporary water supply are to be determined by the District.

Declaration of Level 1 Water Supply Shortage

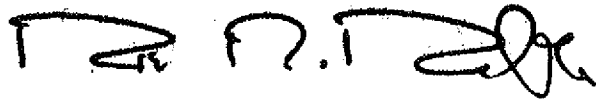
The amendments to the Rules and Regulations give the Engineer (Director of the Public Works Agency or his or her authorized representative) the authority to declare a Level 1, 2, or 3 Water Supply Shortage, invoking the corresponding mandatory conservation measures.

If your Board approves this item, the District will give notice to all of its customers of the declaration of a Level 1 Water Supply Shortage, the imposition of Level 1 water conservation measures, and the implementation of Incremental Interruption Plan Level 2 allocations and rates.

Board of Directors
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This item, including the proposed revisions to the R&Rs, has been reviewed by the County Executive Office, Auditor-Controller's Office, and County Counsel.

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

A handwritten signature in black ink, appearing to read 'R. R. PAKALA', with a stylized flourish at the end.

R. R. PAKALA
Director, Water and Sanitation Department

Attachment – Resolution
Exhibit 1–Proposed changes to District's R&Rs