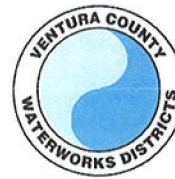


VENTURA COUNTY WATERWORKS DISTRICTS



COUNTY OF VENTURA
PUBLIC WORKS AGENCY
JEFF PRATT
Agency Director

Representing: Ventura County Waterworks Districts No. 1, 16, 17 & 19

Water & Sanitation Department
R. Reddy Pakala
Director

December 11, 2012

Eric Keller
Operations,
Planning, &
Development

Board of Ventura County Waterworks District No. 19
800 S. Victoria Avenue
Ventura, CA 93009

Cefe Munoz
Design &
Construction

Anne Dana
Administration

Subject: Public Hearing and Approval of Water Rate Adjustments and Revisions to Rules and Regulations; Ventura County Waterworks District No. 19, Somis; Supervisorial District Nos. 2, 3, and 4.

Recommendations:

1. Consider written protests and hear and consider all oral and written comments and protests on the proposed adjustments to water commodity rates and agricultural customer allocations for Ventura County Waterworks District No. 19 (District).
2. Unless written protests from a majority of affected parcels are received, approve the attached Resolution amending Part 2, Rule 2-A-1d, pertaining to accounting and reconciliation for agricultural customers; Rule 2-A-9b, increasing water commodity rates and implementing tiered agricultural rates; Rule 2-A-9c (iii), (iv), (v), and (vi), pertaining to allocations and rates for agricultural and other similar use customers of the District's Rules and Regulations, commencing with the February 2013 billing.

Fiscal/Mandates Impact:

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



Summary of Revenue and Total Costs:	FY 2012-2013	FY 2013-14
Revenue	\$31,044	\$78,438
Direct	\$0	\$0
Indirect-Agency/Dept.	0	0
Indirect-CAP	0	0
Total Costs	\$0	\$0
Net District Costs	(\$31,044)	(\$78,438)
Recovered Indirect Costs	-0-	-0-

Current FY Budget Projection:

Current FY 2012-13 Budget Projection for Ventura County Waterworks District No. 19 - Somis				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings/(Deficit)
Appropriations	7,402,800	8,215,800	8,215,800	0
Revenue	7,117,300	7,117,300	7,117,300	0
Net Cost	285,500	1,098,500	1,098,500	0

Revenue represents the incremental increase between the new rate and the current rate. FY13 revenue reflects a rate increase for five months (February 2013 through June 2013). FY14 revenue reflects a rate increase for 12 months (July 2013 through June 2014). Approval will reduce the budgeted net cost for FY13.

Discussion:

The District provides local water from groundwater wells, and imported water from the State Water Project, through the Metropolitan Water District of Southern California (Metropolitan) and Calleguas Municipal Water District (Calleguas). In FY 2012, approximately 2,870 acre-feet (AF) of water was produced from both imported sources and local groundwater pumping.

Local groundwater supply is managed by the Fox Canyon Groundwater Management Agency (GMA). The District's GMA groundwater allocations were first established in 1990 and were based on historical water pumping from 1985 through 1989. The District's current groundwater pumping allocations have been reduced by 25% by GMA to control groundwater overdraft. Approximately 80% of the District's water supply comes from local groundwater.

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, of the more than 240,000 feet of pipeline maintained by the District, almost 100,000 feet were constructed before 1962. The old, undersized, and flow-restricting waterlines need to be replaced. The total estimated cost to replace priority waterlines and to improve the water quality is

approximately \$10.0 million. The District has secured a \$5.0 million low-interest loan to fund the priority projects. Construction for these projects is scheduled to begin in the Spring of 2013.

The District's imported water costs are increasing by 6.0% effective January 1, 2013. In addition, the estimated Southern California Edison (SCE) rate increase for calendar year 2013 is approximately 5%, which will impact the District's pumping costs.

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 fixed O&M costs, such as meter reading and billing. The last commodity rate increase for the District was approved in December 2011. The District's current Municipal and Industrial (M&I) Tier I commodity rate is \$2.204/HCF (\$960.06/AF).

M&I Water Rates

The District's water rates have been reviewed to determine the impact of the Metropolitan/Calleguas and SCE rate increases and the funding needed to repay the \$5.0 million loan to replace the aged water lines and improve the water quality. Based on the water rate analysis, it has been determined that the current rates do not provide sufficient revenues to offset these increased water supply costs and provide the necessary funds to repay the loan. Therefore, to provide the needed revenues, we are recommending a 3.0% M&I Tier I water commodity rate increase for the District's M&I customers. We are not recommending an increase in the service charge at this time. The proposed rate increase is recommended based on the water rate analysis that showed a higher rate is necessary to make annual loan payments and cover the District's cost of providing an uninterrupted water supply.

Agricultural Water Rates and Allocations

The District is also recommending tiered agricultural water rates and allocations for agricultural customers with properties equal to or greater than five (5) acres, based on the District's proportional local and imported water supply costs. Under the proposed new agricultural tiered rate structure, agricultural customers with properties equal to or greater than five (5) acres will be given new monthly allocations based on the number of irrigated acres for each customer, as verified through aerial mapping. All water used within the allocation will be billed at the proposed **Agricultural Tier I** rate of \$776 per acre foot (AF). This is a 10% decrease in the current agricultural blended water rate of \$863.36/AF, and is based on the local water supply available and allocated to the District's agricultural customers. All water consumption greater than the Tier I allocation will be billed at the proposed **Agricultural Tier II** rate of \$988.81/AF, which is based on the cost of providing imported water. The proposed Agricultural Tier II rate is 14.5% higher than the current blended Agricultural rate. Tiered agricultural rates are proportional to the cost of providing local and imported water service to each parcel.

Agricultural customers with properties less than five (5) acres will be billed for all water consumption at the District's M&I Tier I water commodity rate.

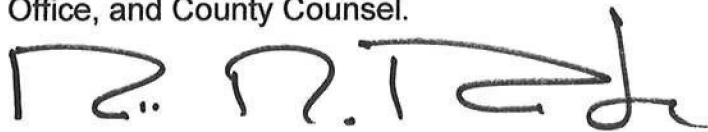
On October 18, 2012, the District's Citizens' Advisory Committee unanimously concurred with the proposed M&I water commodity rate increase and the tiered agricultural rates and allocations.

Water rates are subject to the majority protest provisions of Proposition 218 set forth in California Constitution Article XIII D, Section 6. To comply with the legal notice requirements, a 45-day notice of the proposed water rate increase and the date, time, and location of this public hearing was mailed on October 24, 2012, to each property owner and customer within the District.

As of December 3, 2012, the Clerk of the Board has not received any protests letters. If any protest letters are received before the public hearing, they will be submitted to your Board on December 11, 2012.

Upon approval by your Board, the proposed M&I water rates and water rates and allocations for agricultural and similar use customers will be implemented commencing with the February 2013 billing.

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

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

Resolution
Exhibit 1 – Current and Proposed Water Commodity Rates and Allocations