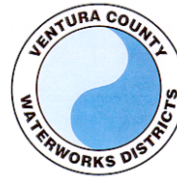


VENTURA COUNTY WATERWORKS DISTRICTS



COUNTY OF VENTURA
PUBLIC WORKS AGENCY
JEFF PRATT
Agency Director

Representing: Ventura County Waterworks District Nos. 1, 16, 17, 19, and 38

Water & Sanitation Department
Michaela Brown
Director

December 4, 2018

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

Susan Pan
Planning, Design
Construction, and
Development

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Customer Service,
Billing, and
Administration

Subject: Conduct Public Hearing Regarding Proposed Increases to Water Rates and Service Charges; Determine Whether Written Protests Have Been Received from a Majority of Affected Parcel Owners or Customers; If Not, Adopt Proposed Resolution Increasing Rates and Charges Commencing January 1, 2019; Waterworks District No. 1 (Moorpark); Supervisorial District No. 4.

Recommendations:

It is recommended that the Board of Waterworks District No. 1 (District):

1. Conduct a public hearing to hear and consider all objections or protests, if any, to the proposed increases to water rates and service charges, commencing January 1, 2019, for District customers;
2. Determine whether written protests have been received from a majority of affected parcel owners or directly billed tenants (Exhibit 1), and, if not, make a finding that written protests have not been received from a majority of affected customers; and
3. Adopt the attached proposed resolution increasing the District's water rates and service charges effective January 1, 2019, as shown on Exhibit 2.

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 2018-19</u>	<u>FY 2019-20</u>
Revenues:	\$ 723,005	\$ 1,514,606
Costs:		
Direct Costs	\$ 0	\$ 0
Indirect – Agency/Dept.	\$ 0	\$ 0
Indirect – CAP	\$ 0	\$ 0
Total Costs	\$ 0	\$ 0
Net County Cost, Including Indirects	\$(723,005)	\$(1,514,606)
Recovered Indirect Cost	\$ -	\$ -

Current Fiscal Year (FY) Budget Projection:

Current FY 2018-19 Budget Projection for Ventura County Waterworks District No. 1 – Unit 4300				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Saving/(Deficit)
Appropriations	\$29,887,900	\$30,235,571	\$30,235,571	\$0
Revenues	\$20,261,100	\$20,261,100	\$20,261,100	\$0
Net Costs	\$(9,626,800)	\$(9,974,471)	\$(9,974,471)	\$0

Revenue represents the incremental increase between the proposed new rates and the current rates. FY 2018-19 revenue reflects a rate increase for six months (January 2019 through June 2019). FY 2019-20 revenue reflects a rate increase for 12 months (July 2019 through June 2020). Approval of the proposed rates will reduce the budgeted net cost for FY 2018-19.

Executive Summary:

The District provides water to the City of Moorpark (City) and contiguous areas to the north and west of the City limits. The District provides imported water from the State Water Project, delivered through the Metropolitan Water District of Southern California (Metropolitan) and Calleguas Municipal Water District (Calleguas), as well as groundwater pumped from its local wells. At present, of all water distributed to District customers, approximately 82% is from imported sources and 18% is local groundwater.

On March 14, 2017, your Board approved a cost-of-service-based restructuring of the District's water rates and service charges, an increase in water rates and service charges, which included a "glide path" for agricultural rates that spread the 115% increase recommended to achieve full cost of service compliance over a period of several years.

On December 12, 2017, based on an analysis of costs and revenue projections, your Board approved the following increases: 7% to the commodity rate, 15% increase to the

agricultural rate, and 10% to the fixed charge rate. This recommendation was predicated on a financial projection that incorporated future yearly increases. This year's cost of service analysis incorporates this plan and the glide path for agricultural customers.

The proposed rate structure is based on an analysis of cost and revenue projections over a six-year period.

Background:

Every year, the District evaluates the need for rate adjustments based on a variety of factors which this year include:

- Increases in the cost of imported water, which will increase 3.4% in 2019
- Increases in the cost of power, which has risen between 3% and 5% in the last several years
- Increases in the cost of labor, including salaries and benefits, which increased 7% in 2018 and is estimated to increase 3% in 2019
- Increases in expenditures for planned capital projects, including much-needed replacement and improvement projects, such as the Walnut Acres water line replacement, Well 95 motor control center replacement, and reservoir recoating, repair and relining
- Achieving a balanced operating budget

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.

Proposed Rates:

To offset the increase in water supply, power and labor cost, we are recommending the following increases: a 7.5% increase to all customer commodity (water) rates except for agricultural customers, whose rate shall increase 14% (Table 1); and a 7.5% increase to all fixed monthly service charge rates (Table 2).

A proposed annual agricultural rate increase of 14% will result in full cost of service compliance in six years (Table 3).

Table 1:

Commodity Rates per HCF			
<i>Residential</i>		<i>Current Rates</i>	<i>Proposed Rates</i>
Tier 1	0 – 10 HCF*	\$3.43	\$3.69
Tier 2	>10 – 25 HCF	\$4.10	\$4.41
Tier 3	>25 HCF	\$4.71	\$5.06
Agricultural		\$2.97 (\$1,293.73/AF)	\$3.39 (\$1,476.68/AF)
Commercial		\$3.93	\$4.22
Industrial		\$3.69	\$3.97
Institutional		\$4.41	\$4.74
Non-Tiered Residential		\$4.20	\$4.52
Multi-Family Residential		\$3.63	\$3.90
Temporary Construction		\$5.59	\$6.01
<i>* HCF = Hundred Cubic Feet (748 Gallons); AF = Acre Feet (435.60 HCF)</i>			

Table 2:

Monthly Service Charges - Meters		
Meter Size	Current Rates	Proposed Rates
3/4-inch	\$11.46	\$12.32
1-inch	\$15.45	\$16.61
1 1/2-inch	\$25.40	\$27.31
2-inch	\$37.36	\$40.16
3-inch	\$75.21	\$80.85
4-inch	\$130.99	\$140.81
6-inch	\$264.48	\$284.32
Monthly Service Charges – Fire Line		
Meter Size	Current Rates	Proposed Rates
2-inch	\$7.50	\$8.06
3-inch	\$11.32	\$12.17
4-inch	\$17.92	\$19.26
6-inch	\$41.63	\$44.75
8-inch	\$82.52	\$88.71
10-inch	\$144.02	\$154.82
20-inch	\$863.06	\$927.79
NOTE: Water used through private fire services will be charged at the temporary construction water rate		

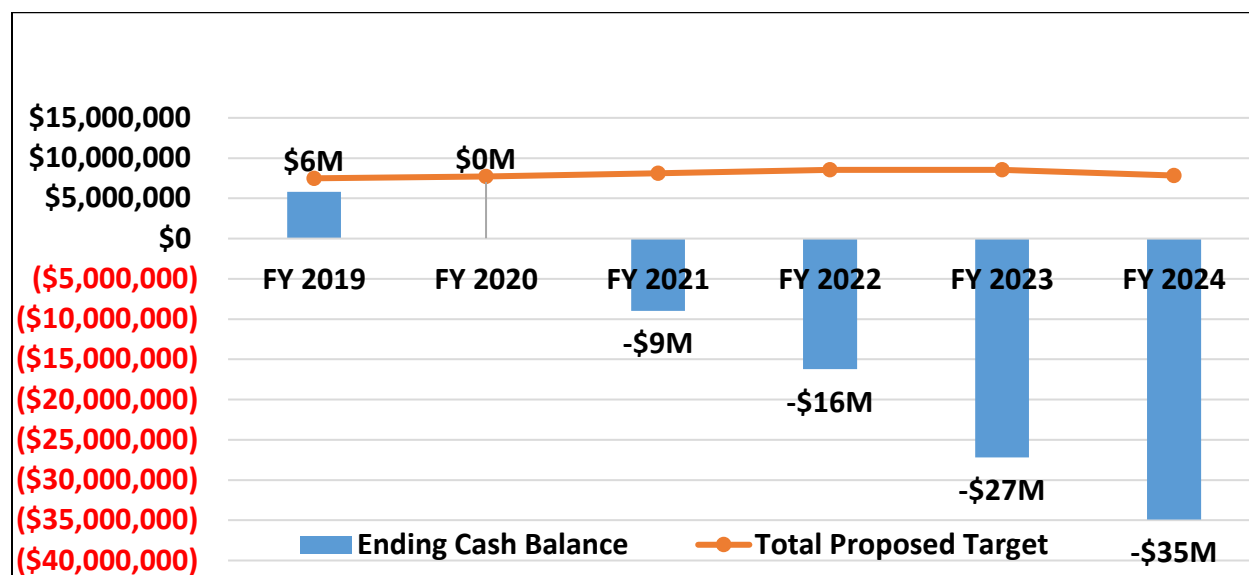
Table 3:

Revenue Adjustments for Commodity Rates			7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Additional Agricultural Rate Increase			\$0.20	\$0.22	\$0.25	\$0.25	\$0.25	\$0.25
AGR Rate with no Additional Increase	\$	2.97	\$3.20	\$3.44	\$3.70	\$3.98	\$4.28	\$4.61
Maximum Agricultural Rate - Modeled Rate*	\$	4.23	\$4.55	\$4.90	\$5.27	\$5.67	\$6.10	\$6.10
Commodity Rates		Current Rates	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Residential								
Tier 1	0-10 hcf	\$3.43	\$3.69	\$3.96	\$4.26	\$4.58	\$4.92	\$5.29
Tier 2	>10-25 hcf	\$4.10	\$4.41	\$4.74	\$5.09	\$5.48	\$5.89	\$6.33
Tier 3	>25 hcf	\$4.71	\$5.06	\$5.44	\$5.85	\$6.29	\$6.76	\$7.27
			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Residential Non-Tiered		\$4.20	\$4.52	\$4.85	\$5.22	\$5.61	\$6.03	\$6.48
Residential Multi Family		\$3.63	\$3.90	\$4.19	\$4.51	\$4.85	\$5.21	\$5.60
Commercial		\$3.93	\$4.22	\$4.54	\$4.88	\$5.25	\$5.64	\$6.07
Agricultural		\$2.97	\$3.39	\$3.86	\$4.39	\$4.96	\$5.58	\$6.10
Industrial		\$3.69	\$3.97	\$4.26	\$4.58	\$4.93	\$5.30	\$5.69
Institutional		\$4.41	\$4.74	\$5.10	\$5.48	\$5.89	\$6.33	\$6.81
Temporary Construction		\$5.59	\$6.01	\$6.46	\$6.94	\$7.47	\$8.03	\$8.63
Agricultural Rate % of Increase			14%	14%	14%	13%	13%	9%

Future Year Projections and Proposed Reserves:

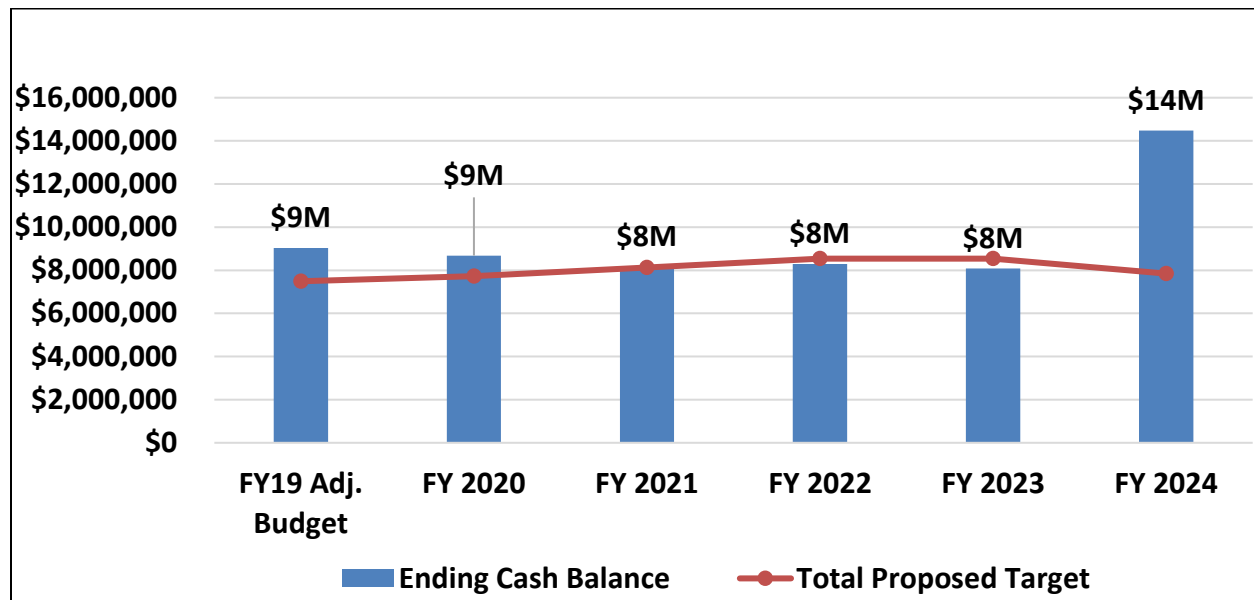
If this proposed rate increase and similar, future year increases are not approved, the District's reserves will decrease due to operating losses and capital improvement project (CIP) expenditures, resulting in a negative cash balance by FY 2021 (see Table 4 below).

Table 4:



The graph in Table 5 below illustrates the financial impact of approving this recommended rate increase and similar, subsequent calendar year increases. It will allow the District to maintain cash reserves at target levels and increase cash reserves by FY 2024.

Table 5:



Public Participation:

On September 13, 2018, the District's Citizens' Advisory Committee (CAC) met to review the staff's proposal for a 6% water rate increase, 6% fixed rate charge increase, and a 14% water rate increase for agricultural water. The CAC asked staff to prepare several other options including increases of 6.5%, 7% and 7.5%. The CAC asked to review these options at a special meeting.

On October 8, 2018, the District's CAC met for a special meeting. The CAC was presented with several rate increase options, and they voted unanimously in favor of a 7.5% water rate and fixed rate charge increase, and a 14% water rate increase for agricultural water, because this option achieved operational balance sooner than the other alternatives. The CAC felt this was important to ensure financial stability of the District.

On November 7th, the CAC approved rate proposal was presented to the City Council of Moorpark.

Conclusion:

The District staff believes the recommended rate adjustments are necessary to establish fair and equitable rates that will (1) ensure adequate revenues to meet the District's

operational and capital expenses as well as maintain appropriate reserves that ensure the financial stability of the District and (2) proportionally allocate the costs of providing service in accordance with Proposition 218. Failure to do so will cause the reserves to be nearly depleted by FY 2021.

Water rates are subject to the majority protest provisions of Proposition 218. In compliance with legal notice requirements, by October 16, 2018 the District mailed a public notice of the proposed increases to rates and charges to all its affected customers, parcel owners or directly billed tenants, providing them with the date, time, and location of this public hearing, as well as information concerning their right to protest the proposed increases. As of November 26, 2018, the office of the Clerk of the Board has informed the District that it has received 13 written protests in response to this proposed increase.

This item 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.



Michaela Brown
Director, Water and Sanitation Department

Attachments:

Resolution

Exhibit 1 – Protest Letters

Exhibit 2 – Proposed Water Rates and Monthly Service Charges