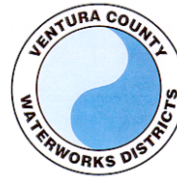


# VENTURA COUNTY WATERWORKS DISTRICTS



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  
Maintenance

**Susan Pan**  
Planning, Design  
Construction, and  
Development

**Jean Fontayne**  
Customer Service,  
Billing, and  
Administration

**Subject: Conduct Public Hearing Regarding Proposed Increases to Sewer Rates and Reclaimed Water Rates; Determine Whether Written Protests Have Been Received from a Majority of Affected Parcel Owners or Customers; If Not, Adopt Proposed Resolution Increasing Rates Commencing January 1, 2019 and Revising Rule 6-D-5 of the Ventura County Waterworks Districts' Rules and Regulations; 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 monthly sewer rates and reclaimed water rates for the District commencing January 1, 2019;
2. Determine whether written protests from a majority of affected parcel owners or directly billed tenants have been received (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: (a) increasing the District's monthly sewer rates and reclaimed water rates commencing January 1, 2019 (Exhibit 2); and (b) revising Part 6-D-5 of the Ventura County Waterworks Districts' Rules and Regulations (Exhibit 3).

## **Fiscal/Mandates Impact:**

Mandatory:	No
Source of Funding:	District Sewer and Recycled 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:	\$ 107,520	\$ 215,041
Costs:		
Direct Costs	\$ 0	\$ 0
Indirect – Agency/Dept.	\$ 0	\$ 0
Indirect – CAP	\$ 0	\$ 0
Total Costs	\$ 0	\$ 0
Net County Cost, Including Indirects	\$( 107,520)	\$( 215,041)
Recovered Indirect Cost	\$ -	\$ -

Current Fiscal Year (FY) Budget Projection:

<b>Current FY 2018-19 Budget Projection for Ventura County Waterworks District No. 1 – Unit 4305</b>				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Saving/(Deficit)
Appropriations	\$10,378,500	\$10,954,842	\$10,954,842	\$0
Revenues	\$ 5,500,900	\$ 5,500,900	\$ 5,500,900	\$0
Net Costs	\$ (4,877,600)	\$(5,453,942)	\$(5,453,942)	\$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:**

Ventura County Waterworks District No. 1 provides water and sanitation services to the City of Moorpark (City) and the contiguous areas to the north and west of the City limits.

The Moorpark Wastewater Treatment Plant (MWTP), located west of the City limits along Highway 118, has a design capacity of 5.0 million gallons per day (MGD). The District also has a 1.5 MGD Tertiary Treatment Facility which produces reclaimed water for irrigation of MWTP landscaping, the Moorpark Country Club Golf Course, the Rustic Canyon Golf Course, and some agricultural customers. The sewer collection system consists of 107 miles of sewer lines and four (4) sewer lift stations. The recycled water distribution system consists of seven (7) miles of pipeline, one booster pump station, and a 1.5-million-gallon storage reservoir.

On September 9, 2014, your Board approved a rate increase from \$24.00 per month

per equivalent residential units (ERU), to \$26.00 per month per ERU, which is still the lowest sewer rate of the sewer agencies within Ventura County.

**Background:**

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

- Inflationary increase in power cost of approximately 3% to 5% in the last several years
- Increase in labor cost of approximately 7% in 2018 and is estimated to increase 3% in 2019
- Expansion of recycled water distribution system which increases the operation and maintenance costs
- Funding for planned capital improvement projects

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 Rates:**

Based on the analysis described above, we are recommending a sewer service charge increase of 3.8%, or \$1.00 per ERU, from \$26.00 per month to \$27.00 per month, and a 6% rate increase for reclaimed water from \$1.974 per hundred cubic feet (HCF) or \$859.87 per acre foot (AF) to \$2.09/HCF or \$911.60/AF as shown in Table 1.

Revenues derived from the sewer service charge and reclaimed water charge do not exceed the funds required to operate these respective systems. Furthermore, revenues derived from these charges are not used for any purpose other than that for which the charges are imposed. The amount of the charges imposed upon a property as an incident of the property ownership does not exceed the proportional cost of the service to that property.

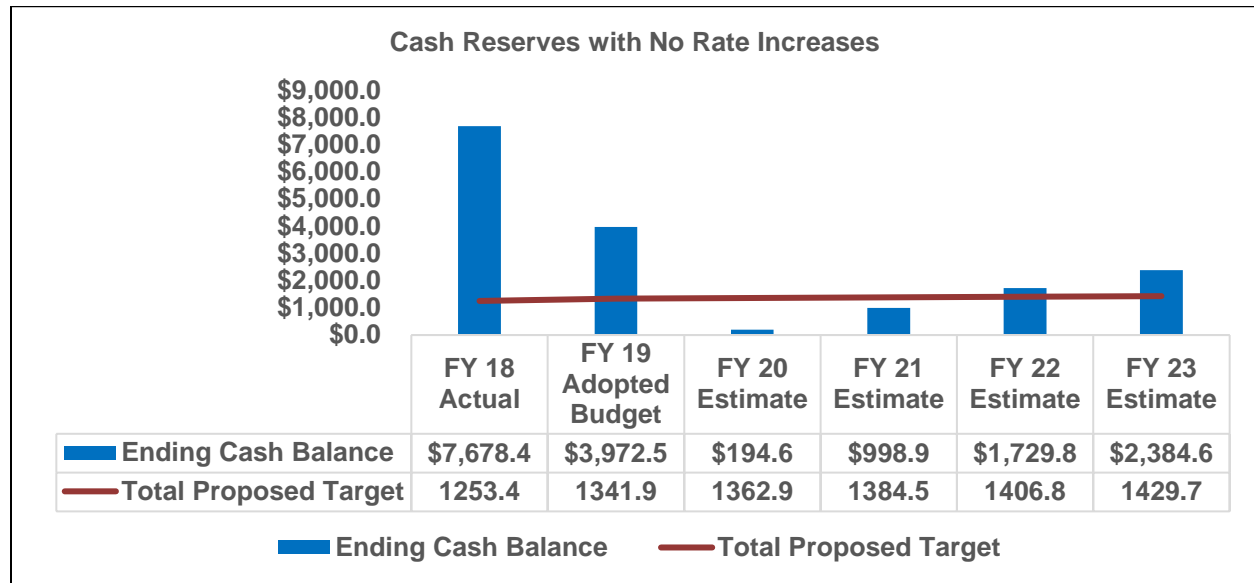
**Table 1:**

<b><i>Rate Per Month per ERU</i></b>	<b><i>Current 2018</i></b>	<b><i>Proposed 2019</i></b>
Sewer	\$26.00/ERU	\$27.00/ERU

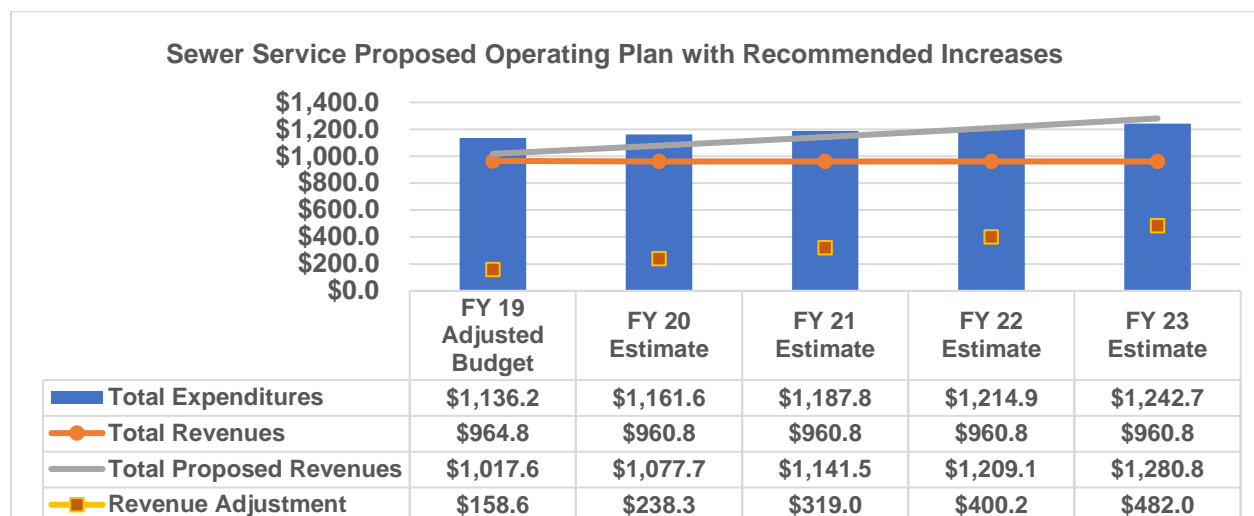
<b><i>Rate Per HCF</i></b>	<b><i>Current 2018</i></b>	<b><i>Proposed 2019</i></b>
Reclaimed Water	\$1.974/HCF or \$859.87/AF	\$2.09/HCF or \$911.60/AF
<i>Rates Per 100 cubic feet of water (HCF) = 748 gallons; AF = Acre Feet (435.60)</i>		

**Future Year Projections and Proposed Reserves:**

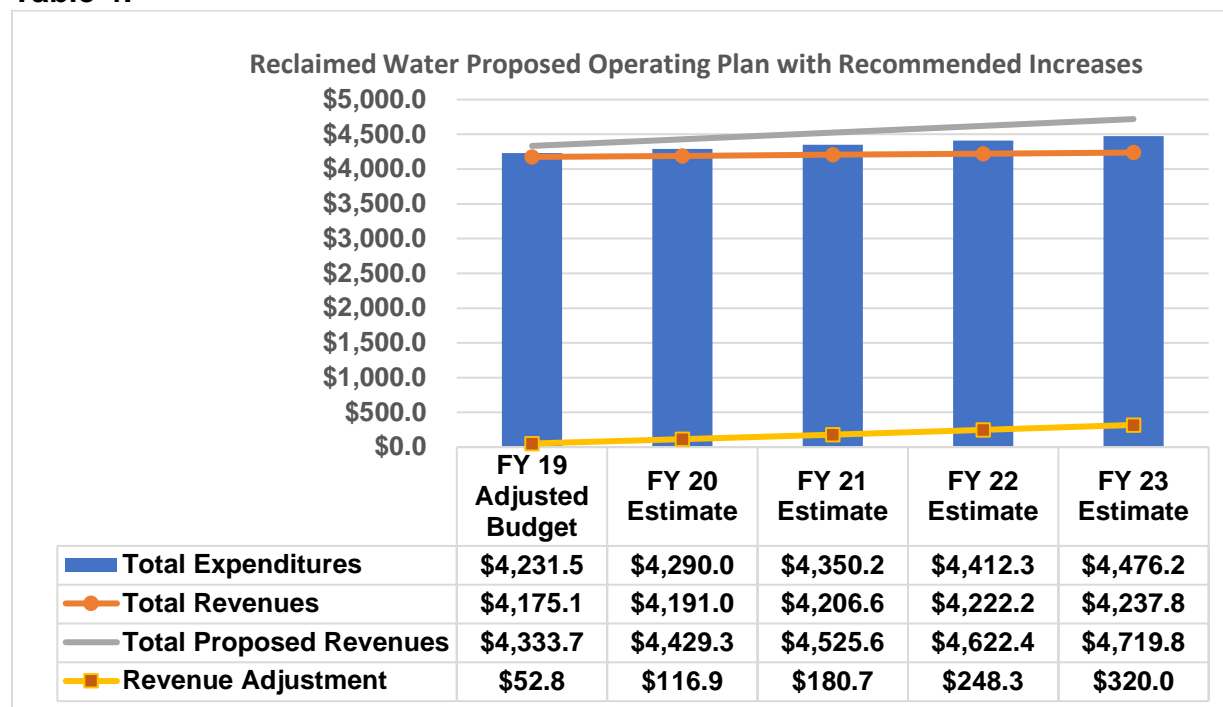
If the proposed rate increases are not approved, the District's deficit will continue to grow and be near a negative cash balance by FY 2020, as shown in Table 2.

**Table 2:**

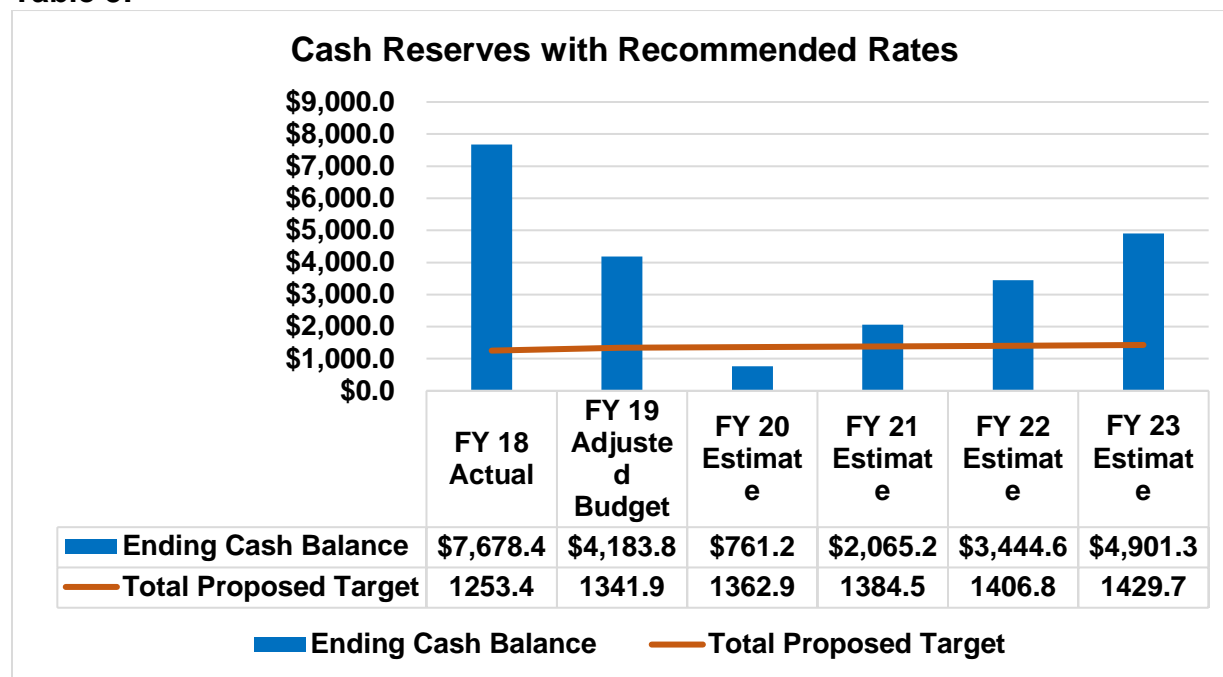
The graphs in Table 3 and 4 reflect the projected financial position based on a five-year rate increase plan, including the rate increase recommended for 2019. The graph in Table 5 reflects the improved projected cash reserves based on the recommended rates.

**Table 3:**

**Table 4:**



**Table 5:**



**Proposed Change to Rules & Regulations:**

Implementation of the proposed reclaimed water rate will require that Part 6-D-5 of the Ventura County Waterworks Districts' Rules and Regulations be revised as shown on Exhibit 3 (redlined version showing proposed changes is Exhibit 3A).

**Review and Input Process:**

On September 13, 2018, the District's Citizens' Advisory Committee appointed by your Board unanimously concurred with the recommended sewer and reclamation water rate increase.

**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 an appropriate reserve balance for the financial stability of the District, and (2) proportionally allocate the costs of providing service in accordance with Proposition 218.

Sewer rates are subject to the majority protest provisions of Proposition 218. In compliance with legal notice requirements, before October 16, 2018, the District mailed a public notice of both proposed rate increases to all of 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 rate increases.

As of November 19, 2018, the District and the office of the Clerk of the Board have received seven protest letters, which are included as Exhibit 1. Any additional protest letters received by the Clerk of the Board before the close of the public hearing on this matter will be submitted to your Board during the hearing.

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 – Schedule of Proposed Monthly Sewer Rates and Reclaimed Water Rates

Exhibit 3 – Proposed Revised Part 6, Section D, Rule 6-D-5 of Rules and Regulations

Exhibit 3A – Redlined Version of Proposed Revised Part 6, Section D, Rule 6-D-5