

February 28, 2023

Boards of Ventura County Waterworks District No. 1, 19, and 38
800 S. Victoria Avenue
Ventura, CA 93009

Subject: Receive and File an Update on Water Rates for Calendar Year 2023 for Ventura County Waterworks District Nos. 1 (Moorpark), 19 (Somis), 38 (Lake Sherwood); Supervisorial District Nos. 2 and 4.

Recommendations:

Receive and file an update on water rates for Ventura County Waterworks District Nos. 1, 19, and 38 (Districts) for calendar year 2023.

Fiscal/Mandates Impact:

Currently, no fiscal impact. Based on a budget review by staff, water rate increases are not recommended for calendar year 2023 for Waterworks District Nos. 19 and 38. A water rate increase passed through from Calleguas Municipal Water District (CMWD) went into effect January 1, 2023 for Waterworks District No. 1. Should water rate increases be necessary for calendar year 2024, staff will make that recommendation to your Board by December 2023.

Background:

Ventura County Waterworks District No. 1 (Moorpark)

Ventura County Waterworks District No. 1 (Moorpark) was formed on November 22, 1921. The District provides water to the City of Moorpark (City) and contiguous areas to the north and west of the City limits. The District distributes imported water from the State Water Project, delivered through the Metropolitan Water District of Southern California (Metropolitan) and CMWD, as well as groundwater pumped from its local wells. In 2022, approximately 73% of water delivered was from imported sources, 18% was from local groundwater, and 9% from recycled water. As part of the Las Posas Groundwater Basin adjudication, your Board approved the Phase 1 Settlement Agreement in 2019, which allows the District to continue pumping its groundwater allocation near its historical groundwater extractions. The final phase of the groundwater



adjudication is scheduled to be completed by the end of May 2023. For more information on this District, see Exhibits 1, 2 and 3.

On April 26, 2022, in Resolution 22-056, your Board approved a 3.5% water rate increase, effective July 1, 2022, and continued water standby charges of \$46.82 as part of the County tax roll for fiscal year 2022-23. Your Board also approved integration of five years of pass-through rates from CMWD per Government Code 53756. On July 6, 2022, CMWD's Board of Directors approved a combined wholesale potable water increase of 4.5%, effective January 1, 2023. As required by Government Code 53756, the pass-through 30-day notice was mailed to customers before December 1, 2022, notifying customers of the 4.5% rate increase effective January 1, 2023 (Exhibit 4).

Ventura County Waterworks District No. 19 (Somis)

Ventura County Waterworks District No. 19 (Somis) 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, Public Works Agency staff has worked diligently to reduce service interruptions and to improve water quality. However, of the 234,000 feet of pipeline maintained by the District, 70,000 feet (30%) 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 this District, see Exhibits 1, 2 and 3.

On December 8, 2020, in Resolution 20-144, your Board approved temporary surcharges to fund costs of a construction loan for the Well 2 Iron and Manganese Treatment Plant and legal fees incurred in the Las Posas Groundwater Basin adjudication, the latter of which were fully collected as of December 2021. In 2021, locally pumped groundwater accounted for approximately 99.6% of the District's water supply, reinforcing the importance of maintaining the District's groundwater rights as a means of preserving affordability to the ratepayers. The adjudication threatened the District's legal rights to continue pumping near its historical groundwater extractions. 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. The final phase of the groundwater adjudication is scheduled to be completed by the end of May 2023. On May 24, 2022, in Resolution 22-071, your Board approved the most recent rate increase for the District at 2.5%, effective July 1, 2022.

Ventura County Waterworks District No. 38 (Lake Sherwood)



The Lake Sherwood Community Services District (LSCSD) was formed on March 28, 1989, providing retail potable water service within Lake Sherwood. In May of 2015, a special election was held for LSCSD residents, authorizing the formation of a new water district – Ventura County Waterworks District No. 38 (Lake Sherwood). As of July 1, 2015, LSCSD no longer provides any municipal services to Lake Sherwood community. The District provides potable water to the community of Lake Sherwood and serves a population of 1,759. The District's entire water supply is imported water from the State Water Project, delivered through the Metropolitan and CMWD. For more information on this District, see Exhibits 1, 2 and 3.

On December 8, 2020, in Resolution number 20-145, your Board approved increases of 2.5% to the volumetric commodity (water) rate as well as to all fixed monthly service charges and established the District's reserve fund targets at 25% of operating expenses, 10% of operating revenue, and 2% of net assets. On January 11, 2022, a receive and file presentation was made informing your Board that water rate increases were not necessary for calendar year 2022.

Cash Reserve Projections:

Ventura County Waterworks District No. 1 (Moorpark)

Ventura County Waterworks District No. 1 (Moorpark) staff performed a rate analysis and took into consideration CMWD's approved calendar year 2023 rate increase of 4.5%, along with inflationary increases for labor, electricity, and materials. The rate analysis also assumes a decrease of 30% in water usage through FY 2024 due to the mandatory drought restrictions imposed by MWD. The CWMD pass-through rates went into effect January 1, 2023 (Exhibit 4) and projections show a positive cash balance through FY 2027. The cash reserves are projected to meet proposed targets through FY 2024 but will be minimally below the target cash reserves FY 2025 through FY 2027, as shown in Table 1 below. Should water usage and associated revenue return to normal in FY 2024, the District will meet or exceed its cash reserve targets through FY 2027.



Figure 1



Ventura County Waterworks District No. 19 (Somis)

Ventura County Waterworks District No. 19 (Somis), ended FY 2022 with a healthy reserve balance of \$2.3 million, which was \$1.3 million above the Board approved cash reserve target, as shown in Figure 2 below. The District staff's rate analysis took into consideration CWMD's approved rate increase of 4.5% for calendar year 2023 and inflationary increases for labor, electricity, and materials for FY 2023. Revenue received through rates, fixed charges, and capital improvement charges from the Somis Farmworker Housing project provide sufficient funding to maintain the District's cash reserve targets through FY 2026. A future rate increase may be required to move the FY 2027 cash reserve within target levels.



Figure 2



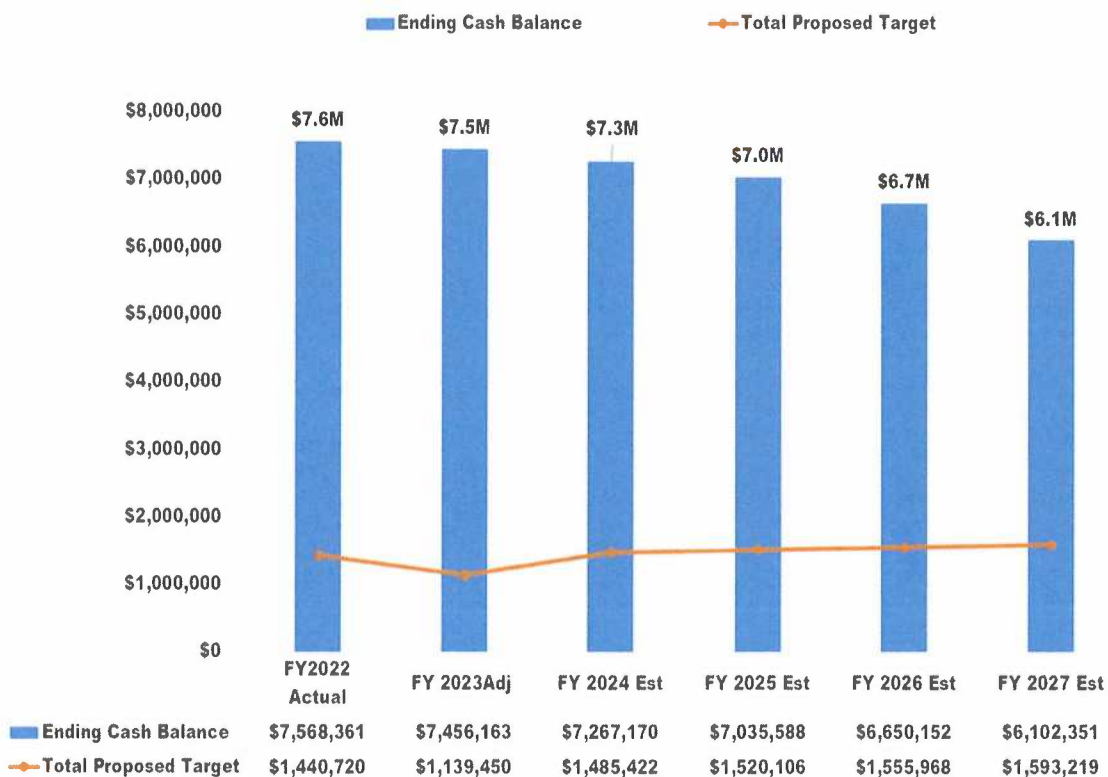
Ventura County Waterworks District No. 38 (Lake Sherwood)

Ventura County Waterworks District No. 38 (Lake Sherwood), ended FY 2022 with a healthy reserve balance of \$7.6 million, which was \$6.1 million above the Board approved cash reserve target, as shown in Figure 3 below. The District staff's rate analysis took into consideration CWMD's approved rate increase of 4.5% for calendar year 2023 and inflationary increases for labor, electricity, and materials for FY 2023. The District has no major capital projects planned for FY 2023 or beyond. Prior calendar year rate adjustments, combined with operational efficiencies gained by the District's implementation of Advanced Metering Infrastructure, give the District sufficient revenue



to cover all expenditures while maintaining the District's cash reserve well above proposed targets.

Figure 3



Public Participation:

Ventura County Waterworks District No. 1 (Moorpark) Citizens' Advisory Committee (CAC) met on November 10, 2022, and unanimously concurred with staff's recommendation to pass-through the 4.5% rate increase by CMWD for calendar year 2023. The 30-day notice was mailed to customers by December 1, 2022.

Ventura County Waterworks District No. 19 (Somis) CAC met on October 20, 2022 to review staff's proposal and unanimously concurred with the recommendation that rate increases are not necessary for calendar year 2023.



Ventura County Waterworks District No. 38 (Lake Sherwood) CAC met on October 27, 2022 to review staff's proposal and unanimously concurred with the recommendation that rate increases are not necessary for calendar year 2023.

Conclusion:

Based on a review of the Districts' FY 2023 budgets, staff concluded that rate adjustments were not necessary for District Nos. 19 and 38, but a pass-through of CMWD rates was necessary for District No. 1 to 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.

Next year, on or before December 2023, staff will again present the budgets and water rate recommendation to the CACs. After consideration of the District's operational and capital expenses, should rate increase recommendations be necessary, staff will mail the required 30 or 45-day notice to all District customers, and then present its recommendations to your Board.

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) 378-3005.



Joseph C. Pope, P.E.
Director
Water and Sanitation

Attachment:

Exhibit 1 - Ventura County Waterworks District Nos. 1, 19, and 38 Information Sheet
Exhibit 2 - Ventura County Waterworks District Nos. 1, 19, and 38 Vicinity Map
Exhibit 3 - Ventura County Waterworks District Nos. 1, 19, and 38 Location Map
Exhibit 4 - Ventura County Waterworks District No. 1, 30-Day Public Notice
PowerPoint Presentation

