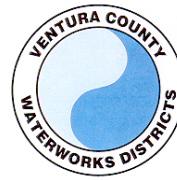


VENTURA COUNTY WATERWORKS DISTRICTS



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 10, 2013

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

Eric Keller
Operations,
Maintenance, &
Development

Susan Pan
Planning,
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. 1, Moorpark; Supervisorial District No. 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 for Municipal and Industrial and agricultural customer Tier I allocations for Ventura County Waterworks District No. 1 (District).
2. Unless written protests from a majority of affected parcels are received, approve the attached Resolution amending Part 2, Section A, Rule 2-A-2b, increasing water commodity rates, and Rule 2-A-2c (i) and (ii), pertaining to water allocations, of the District's Rules and Regulations (R&Rs), commencing with the February 2014 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: | <u>FY 2013-2014</u> | <u>FY 2014-2015</u> |
|-------------------------------------|---------------------|---------------------|
| Revenue | \$335,856 | \$751,986 |
| Costs: | | |
| Direct | -0- | -0- |
| Indirect-Agency/Dept. | -0- | -0- |
| Indirect-CAP | -0- | -0- |
| Total Costs | -0- | -0- |
| Net District Costs | (\$335,856) | (\$751,986) |
| Recovered Indirect Costs | -0- | -0- |



Current FY Budget Projection:

| Current FY 2013-2014 Budget Projection for Ventura County Waterworks District No. 1 (Org. 6400) | | | | |
|--|-------------------|--------------------|---------------------|--------------------------------|
| | Adopted Budget | Adjusted Budget | Projected Budget | Estimated (Savings/Deficit) |
| Appropriations | \$22,021,700 | \$22,298,194 | \$22,298,194 | 0 |
| Revenue | \$15,486,900 | \$15,486,900 | \$15,486,900 | 0 |
| Net Cost | \$ 6,534,800 | \$ 6,811,294 | \$ 6,811,294 | 0 |

Revenue represents the incremental increase between the new rate and the current rate. FY14 revenue reflects a rate increase for five months (February 2013 through June 2014). FY15 revenue reflects a rate increase for 12 months (July 2014 through June 2015). Approval will reduce the budgeted net cost for FY14.

Discussion:

The District provides domestic, commercial, and agricultural (AG) water to the City of Moorpark (City) and the contiguous areas to the north and west of the City limits. 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 2013, approximately 11,600 acre-feet (AF) of water was produced from both imported sources and local groundwater.

The District's imported combined water costs are increasing by 5.1%, effective January 1, 2014. In addition, the estimated Southern California Edison (SCE) rate increase for calendar year 2014 is approximately 5.0%, which will impact the costs associated with pumping the local groundwater to District customers.

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 2012. The District's current Municipal and Industrial (M&I) Tier I commodity rate is \$2.694/HCF (\$1,173.51/AF), and AG Tier I commodity rate is \$1.561/HCF (\$680.00/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. 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. Therefore, to offset the increase in costs, we are recommending a 4.0% Tier I commodity rate increase for both M&I and AG customers. We are also recommending that the M&I Tier II rate, which is currently 1.015 times the

Tier I rate, be adjusted to 1.05 times the Tier I rate. Per the District's R&Rs, M&I Tier III and Tier IV rates are 1.5 and 2.5 times the Tier II rate, respectively. We are not recommending any adjustment to the Tier III or Tier IV factor. The AG Tier II rate will be equal to the M&I Tier I rate. 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 cover the District's cost of providing an uninterrupted supply of quality water, meeting Title 22 standards, to District customers. The District's last water rate increase of 4.5% was approved on December 4, 2012, and became effective in February 2013.

Current and proposed M&I and AG water commodity rates are shown on the attached Exhibit 1.

Municipal and Industrial (M&I) Allocations

The District currently employs a four-tiered, increasing-block rate structure, with allocations generally based on meter size for M&I customers. In 2012, in order to minimize the impact of water rate increases on customers with minimal water use, the District implemented a new Tier I allocation, which allows enough water for basic water needs at the lowest water rate. Currently, all tier allocations are adjusted for peak (May through October) and low (November through April) demand periods. The District is proposing the current Peak Demand M&I Tier I allocations be in effect year-round such that M&I customers will have the same Tier I water allocation during both peak and low demand water periods, as basic water needs generally remain the same year-round. Current and proposed M&I Tier allocations are shown on the attached Exhibit 1.

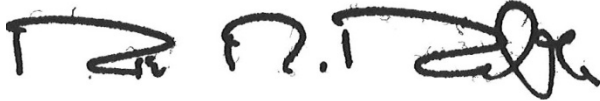
On October 10, 2013, the District's Citizens' Advisory Committee unanimously concurred with the proposed 4.0% water commodity rate increase for the M&I and AG customers, the year-round water allocations, and the factor adjustment for M&I Tier II.

Water rate increases 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, 2013 to each property owner and customer within the District.

As of December 3, 2013, the Clerk of the Board has received three protests letters which are included as Exhibit 2. Any additional protest letters received before the public hearing will be submitted to your Board on December 10, 2013.

Upon approval by your Board, the proposed water rate increases and allocation adjustments will be implemented commencing with the February 2014 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". The signature is stylized with a large initial "R" and a circular flourish at the end.

R. R. PAKALA

Director, Water and Sanitation Department

Resolution

Exhibit 1 – Current and Proposed Water Commodity Rates and Allocations

Exhibit 2 – Protest Letters

VENTURA COUNTY WATERWORKS DISTRICT NO.1
CURRENT AND PROPOSED WATER COMMODITY RATES AND ALLOCATIONS
DECEMBER 10, 2013

2-A-2b COMMODITY RATES:(i) a Municipal and Industrial (M&I)

| | <u>Current</u> | <u>Proposed</u> |
|----------|---------------------------------|--------------------------------|
| Tier I | \$2.694/HCF (\$1,173.51/AF) | \$2.802/HCF (\$1,220.55/AF) |
| Tier II | \$2.734/HCF (\$1,190.93/AF) | \$2.942/HCF (\$1,281.54/AF) |
| Tier III | \$4.101/HCF (\$1,786.40/AF) | \$4.413/HCF (\$1,922.30/AF) |
| Tier IV | \$6.835/ HCF (\$2,977.33/AF) | \$7.355/HCF (\$3,203.84/AF) |

(ii) a Agricultural (AG)

| | | |
|-----------------|--------------------------------|----------------------------------|
| AG Tier I Rate | \$1.561/HCF (\$680.00/AF) | \$1.623/HCF (\$706.98/AF) |
| AG Tier II Rate | \$2.694/HCF (\$1,173.51/AF) | \$ 2. 802/HCF (\$1,220.55/AF) |

2-A-2c ALLOCATIONS MONTHLY CONSUMPTION (M&I)(i) a **TIER ALLOCATIONS (Low Demand)****CURRENT LOW DEMAND PERIOD ALLOCATIONS**

| Billing | | | | | | |
|------------|-------|--------|----------------|----------|---------|--|
| Adjustment | Meter | Tier I | Tier II | Tier III | Tier IV | |
| Number | Size | (hcf) | (hcf) | (hcf) | (hcf) | |
| 1 | 3/4" | 0-5 | 6-14 (500 gpd) | 15-25 | >25 | |
| 2 | -- | 0-7.5 | 8-21 | 22-37 | >37 | |
| 3 | 1" | 0-10 | 11-28 | 29-49 | >49 | |
| 4 | -- | 0-12.5 | 13-35 | 36-62 | >62 | |
| 5 | -- | 0-15 | 16-42 | 43-74 | >74 | |
| 6 | -- | 0-17.5 | 18-49 | 50-86 | >86 | |
| 7 | 1½" | 0-20 | 21-56 | 57-98 | >98 | |
| 13 | 2" | 0-35 | 36-98 | 99-172 | >172 | |
| 29 | 3" | 0-75 | 76-210 | 211-368 | >368 | |
| 59 | 4" | 0-150 | 151-420 | 421-735 | >735 | |
| 119 | 6" | 0-300 | 301-840 | 841-1470 | >1470 | |

PROPOSED LOW DEMAND PERIOD ALLOCATIONS

| Billing Adjustment Number | Meter Size | Tier I (hcf) | Tier II (hcf) | Tier III (hcf) | Tier IV (hcf) |
|---------------------------|------------|--------------|-----------------------|----------------|---------------|
| 1 | 3/4" | <u>0-8</u> | <u>9-14</u> (500 gpd) | 15-25 | >25 |
| 2 | -- | <u>0-12</u> | <u>13-21</u> | 22-37 | >37 |
| 3 | 1" | <u>0-16</u> | <u>17-28</u> | 29-49 | >49 |
| 4 | -- | <u>0-20</u> | <u>21-35</u> | 36-62 | >62 |
| 5 | -- | <u>0-24</u> | <u>25-42</u> | 43-74 | >74 |
| 6 | -- | <u>0-28</u> | <u>29-49</u> | 50-86 | >86 |
| 7 | 1½" | <u>0-32</u> | <u>33-56</u> | 57-98 | >98 |
| 13 | 2" | <u>0-56</u> | <u>57-98</u> | 99-172 | >172 |
| 29 | 3" | <u>0-120</u> | <u>121-210</u> | 211-368 | >368 |
| 59 | 4" | <u>0-240</u> | <u>241-420</u> | 421-735 | >735 |
| 119 | 6" | <u>0-480</u> | <u>481-840</u> | 841-1470 | >1470 |

(ii) TIER RATES (M&I):

- Tier I - Base Rate
- Tier II - Base Rate x 1.015 1.05
- Tier III - Tier II Rate x 1.50
- Tier IV - Tier II Rate x 2.50