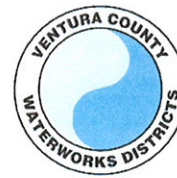


# VENTURA COUNTY WATERWORKS DISTRICTS



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

Anne Dana  
Administration

Cliff Finley  
Operations

Cefe Munoz  
Engineering

April 5, 2011

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

**Subject: Public Hearing and Adoption of a Resolution Approving Adjustments to Water Rates and Allocations; and Revisions to Rules and Regulations Unless Written Protests from a Majority of Affected Property Owners are Received, 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 regarding the proposed adjustments to water rates and allocations for Ventura County Waterworks District No. 1 (District).
2. Unless written protests from a majority of affected property owners are received, approve the attached Resolution amending Part 2-A-2b, Commodity Rates, and Part 2-A-2c, 2d, and 2e (regarding allocations) of the Rules and Regulations (R&Rs) governing the District, as set forth in Exhibit 1 to the Resolution increasing the water commodity rates and adjusting the allocations commencing with the May 2011 billing.

**Fiscal/Mandates Impact:**

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



<b>Summary of Revenue and Total Costs:</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
Revenue	343,899	1,716,825
Costs:		
Direct	-0-	-0-
Indirect-Agency/Dept.	-0-	-0-
Indirect-CAP	-0-	-0-
Total Costs	-0-	-0-
Net District Costs	<343,899>	<1,716,825>
Recovered Indirect Costs	-0-	-0-
Current FY Budget Projection:		

Current FY 2010-11 Budget Projection for Ventura County Waterworks District No. 1				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated (Savings)/Deficit
Appropriations	27,550,900	28,874,426	17,062,300	<11,812,126>
Revenue	17,079,300	17,079,300	13,617,300	<3,462,000>
Net Cost	10,471,600	11,795,126	3,445,000	<8,350,126>

Revenue represents the incremental increase between the new rate and the old rate. FY11 revenue reflects a rate increase for two (2) months (May 2011 through June 2011). FY12 revenue reflects a rate increase for twelve (12) months (July 2011 through June 2012). Approval will reduce the budgeted cost for FY11.

### **Discussion**

The District provides domestic, commercial, and agricultural water to the City of Moorpark and the contiguous areas to the north and west of the City limits. The District provides local water from groundwater wells, which are within the Fox Canyon Groundwater Management Agency boundaries, and imported water from the State Water Project, through the Metropolitan Water District of Southern California (Metropolitan) and Calleguas Municipal Water District (Calleguas).

### **Background**

Water rates provide the revenue to pay for water purchases, the costs to produce and treat local water, the cost of delivering the water to the customers, and operating expenses. Rates also provide funds to replace aging infrastructure.

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 16.0% for Municipal, Industrial (M&I), and Agricultural (AG) customers, and was approved on December 8, 2009. The District's current Tier 1



commodity rate is \$2.162/HCF, which is \$941.77 per acre-foot (AF). The base rate for AG customers is \$1.839/HCF (\$801.07/AF).

Approximately 85% of the District's water supply comes from imported water. Effective January 1, 2011, the District is paying \$1,063/AF for imported water purchased through Calleguas. This is a 10% increase from the imported water rate in 2010. The District produces local water for about \$400/AF, but the amount of local water that can be produced is limited to less than 20% of the District's average annual water use. The District's current Tier 1 water commodity rate, \$941.77/AF, is less than the imported water cost.

On December 14, 2010, your Board rejected District Staff's (Staff) recommended 10% water commodity rate increase for the District. The 10% rate increase recommended by Staff, was based on a 10% water rate increase by the District's supplier, a 5% rate increase by Southern California Edison, increased system replacement costs due to recently completed facilities, and no increases in staffing or salary levels. Based on the recommended rate increase, the projected Rate Stabilization Fund reserve for FY 12 was \$661,700. Historically, the Rate Stabilization fund is derived from incremental revenues collected from the Tier 2 and Tier 3 water commodity rates. These funds have been used to offset some of the imported water rate increases imposed by the District's suppliers, water conservation programs, and special projects.

After the Board rejected the proposed water commodity rate increase, Staff was asked to return in January with a report regarding the impact of rejecting the rate increase on the District's customers.

On January 25, 2011, Staff returned to your Board with a proposal for water rationing to meet a projected budget deficit without increasing the water commodity rates for calendar year 2011. The proposal included the following assumptions: projected water purchases were reduced based on reductions in water usage due to the unusually wet weather this fiscal year; and all available Rate Stabilization Funds were used in FY 11.

During the January 25, 2011, public hearing, your Board heard presentations from representatives of Metropolitan Water District of Southern California and Calleguas, the District's imported water suppliers. Both presenters provided detailed information regarding the components of the imported water costs and plans to develop alternative sources of local water in the future. In addition, Staff provided a revised budget analysis which showed that without water rate increases, the District would be out of business in a few years.

Your Board chose not to act upon the proposed water rationing plan, and instead directed staff to meet with the District's Citizens' Advisory Committee and return within two weeks with a revised proposal with options for an across-the-board water commodity rate increase and a water commodity rate increase combined with adjusted



water allocations. In addition, your Board directed that the proposals should not rely on deferring necessary O&M expenditures.

Staff met with the District's Advisory Committee on January 27, 2011, to discuss the current budget and alternative rate increase proposals. The proposals were based on the following: 1.) As of January 1, 2011, the District is paying a 10% rate increase for the imported water purchased from Calleguas; 2.) The earliest any proposed rate increase might become effective would be in May 2011; and 3.) The Rate Stabilization fund balance at the end of FY 11 will be minimal without a large water rate increase.

### **Recommendation**

On February 8, 2011, Staff returned to your Board with several scenarios to increase rates with and without allocation adjustments. Staff's presentation included the impact to the budget and rate stabilization fund for each scenario. Your Board directed Staff to proceed with a 12% Tier 1 commodity rate increase and reduction of allocations during the Peak Demand Period (May through October) to match the Low Demand Period (November through April) allocations, with the required notice to District customers.

The District's Citizens' Advisory Committee unanimously concurred with the proposed water rate increase and allocation adjustments. Staff is recommending adoption of the water rate increase and allocation adjustments as proposed.

The Districts' R&Rs include an Incremental Interruption Plan (IIP) which establishes water rates and allocations for M&I and AG customers within the Districts. The IIP allows for reductions of allocations and increases in commodity rates as necessitated by water supply conditions and/or reductions in water allocations imposed by Metropolitan and Calleguas. The IIP allocations were first established to correlate with Metropolitan's IIP, which no longer exists. Therefore, we are recommending the District's R&Rs be amended to remove the references to Incremental Interruption Plan Level No. 1 in Rule 2-A-2c and delete Rules 2-A-2d and 2e, which set for allocations for IIP 2 and 3.

We are also recommending that the Rule 2-A-2b (ii) b, Groundwater Storage Project (GSP) Water Rate be deleted. This program was never initiated and is no longer available due to the reduction in imported water supply.

Water rates are subject to the majority protest provisions of Proposition 218 set forth in the California Constitution of Article XIII D, Section 6. To comply with the legal notice requirements, a 45-day notice of the proposed water rate increase and allocation adjustments, and the date, time, and location of this public hearing was mailed to each property owner and customer within the District on February 17, 2011.

Implementation of the proposed water commodity rates and allocation adjustments will require that Part 2, Section A, Rule 2-A-2b, 2c, 2d, and 2e of the District's Rules and Regulations be revised as set forth in Exhibit 1.



Upon approval by your Board, the proposed rates and allocation adjustments will be implemented beginning with the May 2011 billing dates.

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

As of March 29, 2011, the Clerk of the Board received eleven protest letters, which are attached as Exhibit 2. Any additional protest letters received before the public hearing will be provided to your Board on April 5, 2011.

If you have any questions, regarding this item, please call me at (805) 654-2075.



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  
April 5, 2011**

Rule

Part 2-A-2b

Commodity Rates:

~~(i)a Municipal and Industrial — Incremental Interruption Plan Level No. 1~~

	<u>Current</u>	<u>Proposed</u>
Tier I	\$2.162/HCF (\$941.77/AF)	\$2.421/HCF (\$1,054.59/AF)
Tier II	\$3.243/HCF (\$1,412.65/AF)	\$3.632/HCF (\$1,582.10/AF)
Tier III	\$5.405/HCF (\$2,354.42/AF)	\$6.053/HCF (\$2,636.69/AF)

~~(i)b Municipal and Industrial — Incremental Interruption Plan Level No. 2~~

**(i)b DELETED**

~~(i)c Municipal and Industrial — Incremental Interruption Plan Level No. 3~~

**(i)c DELETED**

(ii)a Agricultural

Base Rate	\$1.839/HCF (\$801.07/AF)	\$2.060/HCF (\$897.34/AF)
Disincentive Rate	GMA Surcharge	Base Rate Plus GMA Tier I Surcharge

~~(ii)b Groundwater Storage Project (GSP) Water Rate~~

<del>GSP Water Rate</del>	<del>_____</del>	<del>\$0.184/hcf</del>
<del>GSP Water Rate Including Lift Charge</del>	<del>_____</del>	<del>\$0.252/hcf (\$110/af)</del>

~~The GSP rate will automatically be adjusted every calendar year based on the change in the Consumer Price Index (Los Angeles - Long Beach - Anaheim region) for January of that year.~~

**(ii)b DELETED**

**VENTURA COUNTY WATERWORKS DISTRICT NO. 1  
CURRENT AND PROPOSED ALLOCATIONS  
APRIL 5, 2011**

**2-A-2c** **INCREMENTAL INTERRUPTION PLAN LEVEL NO. 1  
TIER ALLOCATIONS (Bi-monthly Consumption)**

The Peak Demand and Low Demand Billing Cycles will be established by the Director or his authorized representative based on weather conditions, billing cycle dates, or other pertinent factors. Additional allocations may be established when determined by the Director or his authorized representative to be appropriate.

Tiers are based on 10% water usage reduction from the established average water use. Tier II range is 1.75 times Tier I.

(i) a Peak Demand Billing Cycles<sup>179</sup>

<u>Billing</u>				
<u>Adjustment</u>	<u>Meter</u>	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>
<u>Number</u>	<u>Size</u>	<u>(hcf)</u>	<u>(hcf)</u>	<u>(hcf)</u>
1	3/4"	0-42 (520 gpd)	43-74	>74
2	--	0-63	64-110	>110
3	1"	0-84	85-147	>147
4	--	0-105	106-184	>184
5	--	0-126	127-221	>221
6	--	0-147	148-257	>257
7	1½"	0-168	169-294	>294
13	2"	0-294	295-515	>515
29	3"	0-630	631-1103	>1103
59	4"	0-1260	1261-2205	>2205
119	6"	0-2520	2521-4410	>4410

(i) b Low Demand Billing Cycles<sup>179</sup>

<u>Billing</u>				
<u>Adjustment</u>	<u>Meter</u>	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>
<u>Number</u>	<u>Size</u>	<u>(hcf)</u>	<u>(hcf)</u>	<u>(hcf)</u>
1	3/4"	0-28 (350 gpd)	29-49	>49
2	--	0-42	43-74	>74
3	1"	0-56	57-98	>98
4	--	0-70	71-123	>123
5	--	0-84	85-147	>147
6	--	0-98	99-172	>172
7	1½"	0-112	113-196	>196
13	2"	0-196	197-343	>343
29	3"	0-420	421-735	>735
59	4"	0-840	841-1470	>1470
119	6"	0-1680	681-2940	>2940

**PROPOSED ALLOCATIONS**

2-A-2c

**ALLOCATIONS (MONTHLY CONSUMPTION)**

The top of the Tier II range is 1.75 times Tier I.

(i) **TIER ALLOCATIONS (Year Round)**

<u>Billing Adjustment Number</u>	<u>Meter Size</u>	<u>Tier I (hcf)</u>	<u>Tier II (hcf)</u>	<u>Tier III (hcf)</u>
1	3/4"	0-14 (175 gpd)	15-25	>25
2	--	0-21	22-37	>37
3	1"	0-28	29-49	>49
4	--	0-35	36-62	>62
5	--	0-42	43-74	>74
6	--	0-49	50-86	>86
7	1½"	0-56	57-98	>98
13	2"	0-98	99-172	>172
29	3"	0-210	211-368	>368
59	4"	0-420	421-735	>735
119	6"	0-840	841-1470	>1470

(ii) **INCREMENTAL INTERRUPTION PLAN LEVEL NO. 1 TIER RATES:** <sup>140</sup>

Tier I - Base Rate

Tier II - Base Rate x 1.5

Tier III - Base Rate x 2.5

(iii) **INDUSTRIAL, COMMERCIAL, AND OTHER ALLOCATIONS:**

Where tiered allocations are not applicable, at the option of the District, where the tiered allocations are not applicable, a ten percent (10%) ~~twenty percent (20%)~~ reduction from the water requirement as computed by the District shall apply. For irrigation accounts, a thirty percent (30%) reduction from the water requirement as computed by the District shall apply.

(iv) **INDUSTRIAL, COMMERCIAL, AND OTHER RATES:**

(a) Tier I rate shall be applicable for all water used within the percentage reduction goal, as stated in (iii) above.

(b) ~~Base rate plus GMA surcharge~~ Tier II rate shall be applicable for all water used above and beyond the percentage reduction goal.

(v) **AGRICULTURAL ALLOCATIONS:**

(a) Customers will be given an annual allocation equal to a ten (10%) reduction from the water requirement, as calculated by the District, based on evapotranspiration, effective rainfall, and crop factors.

(b) **DELETED**



(vi) **AGRICULTURAL RATES:**

- (a) Base Rate, as stated in Rule 2-A-2b (ii), shall be applicable for all water used within the percentage reduction goal.
- (b) Disincentive Rate shall be Base Rate plus GMA Tier I surcharge for all water used above and beyond the percentage reduction goal.

2-A-2d **INCREMENTAL INTERRUPTION PLAN LEVEL NO. 2**

2-A-2d **DELETED**

2-A-2e **INCREMENTAL INTERRUPTION PLAN LEVEL NO. 3**

2-A-2e **DELETED**