

**MOORPARK CITY COUNCIL  
AGENDA REPORT**

**TO:** Honorable City Council

**FROM:** Dave Klotzle, City Engineer/Public Works Director  
Prepared by: Teri Davis, Senior Management Analyst 

**DATE:** September 27, 2011 (CC Meeting of 10/05/11)

**SUBJECT:** Consider Calendar Year 2012 Water Rate Analysis Being Considered by the Ventura County Waterworks District No. 1 Citizens' Advisory Committee

**BACKGROUND**

The City of Moorpark (City), as well as most water users in southern California, are experiencing significant annual water rate increases. The Ventura County Waterworks District No. 1 (District) has historically increased water rates whenever the Calleguas Municipal Water District (Calleguas), the agency importing water to Ventura County, increases water rates, thereby passing through the costs to the water consumer. Calleguas generally increases water rates to pass through water rate increases that are adopted by the Metropolitan Water District of Southern California (Metropolitan), the agency importing water from the Colorado River and northern California to southern California, and the main water source to Calleguas.

In October 2010, the District issued a Notice of Proposed Water Rate Increase (Notice) to all water users. The 10% increase, scheduled to be heard by the Ventura County Board of Supervisors (Board) on December 14, 2010, was described as passing through a recent 10% increase from Calleguas. Because only 72% of the District's water budget expenditures are for water supply, staff felt that the 10% increase being considered by the District should be reduced to 7.2%. The City submitted a protest letter to the Board requesting a delay in implementation allowing water users to adjust water usage prior to facing higher costs per unit of water used and the Board acquiesced. The Board, in February 2011, considered several water rate increases to pass through the Calleguas water rate increase as well as replenish the District's Rate Stabilization Fund Balance (Fund Balance), a fund established by the District to stabilize, or offset, future rate increases imposed by Calleguas and Metropolitan. The Board voted for a 12% water rate increase to be effective May 1, 2011 and expected to provide a \$36,300 Fund Balance by June 30, 2011. Therefore, the City received a new Notice of Proposed Water Rate Increase stating that a 12% increase would be implemented, which included moving from a

demand (low and peak) rate structure to a tiered rate structure. The 12% increase took effect in May 2011 as proposed.

## **DISCUSSION**

In August 2011, Calleguas adopted an 8% water rate increase. The District is faced with proposing another increase in water rates and expects to have a new rate structure adopted by and effective on March 1, 2012 to cover the Calleguas increase. At the September 8, 2011 District Citizens' Advisory Committee (Committee) meeting, the Committee reviewed ten options for water rate increases outlined by District staff. At issue, in addition to recovering direct costs from the Calleguas water rate increase, is the replenishment of the Fund Balance, which is currently reported to be at or below zero because the District did not meet their water sales projections. The Committee is also considering reverting back to a demand rate structure because they see the current tiered rate structure as something that penalizes water users who conserve water.

According to District staff, if the Committee were simply interested in passing through the water rate increases of Calleguas and Metropolitan, a 2012 increase could be adopted at a rate of 6.5% on 100% of the water supplied by the District. This is because only 80% of the water supplied by the District is imported from Calleguas. However, the Committee feels the need to replenish its Fund Balance and ultimately maintain a balance of \$660,000, the minimum balance acceptable to the Committee.

After reviewing the ten options summarized in Attachment A, the Committee zeroed in on Option 1 at 8% and Option 2 at 8%, favoring Option 2 which reverts the current tiered rate structure back to a demand rate structure. By June 30, 2012, Option 1 is projected to replenish the Fund Balance to about \$770,000 while Option 2 is projected to replenish the Fund Balance to about \$550,000. The Committee is scheduled to meet on October 6, 2011 to select an option to be recommended to the Board for adoption. It is anticipated that a Notice of Proposed Water Rate Increase will be issued by the District in December 2011 and a Board presentation to consider the water rate increase will be held on January 24, 2012. Although this water rate increase is being referred to as the Calendar Year (CY) 2012 water rate increase, it is not expected to be implemented before March 1, 2012 according to the tentative schedule published by the District. Thereafter, a CY 2013 water rate increase is expected for which the implementation date is currently unknown but could potentially be January 1, 2013 rendering the CY 2012 water rate increase to be effective for a ten month period only.

At the time the City's Fiscal Year (FY) 2011/12 budget was prepared, staff anticipated a CY 2012 water rate increase of 15%. This 15% was added to the FY 2010/11 amounts budgeted for water under park maintenance and self-funded landscape assessment district zones (with the exception of Zone 22, omitted because it was newly acquired and was budgeted with the anticipation of a 15% CY 2012 water rate increase) to determine the recommended appropriations. Therefore, the \$244,400 budgeted in FY 2010/11 for park maintenance water, was increased by 15% to \$281,335 for FY 2011/12 and the \$826,985 budgeted in FY 2010/11 was increased to \$904,750 for self-funded landscape assessment

district zone water. If the Committee recommends an 8% water rate increase and the Board adopts the recommended 8% water rate increase and the adopted increase takes effect on March 1, 2012, the City could expect a FY 2011/12 savings of approximately \$51,800 (\$26,800 for no CY 2012 water rate increase in January and February plus \$25,000 for the 8% rather than 15% water rate increase in March, April, May, and June). According to District staff, the June 30, 2012 Fund Balance is projected to be \$7,500, if no water rate increase was implemented in CY 2012.

### **FISCAL IMPACT**

Without a change in water use and because the current budget was prepared while expecting a 15% water rate increase, an 8% water rate increase taking effect on March 1, 2012 would save the City approximately \$11,820 in parks maintenance from the General Fund and approximately \$39,980 from self-funded landscape assessment district zones for FY 2011/12. Additional savings are expected if the water rates are increased by less than 8% or not all.

### **STAFF RECOMMENDATION**

Direct staff as deemed appropriate.

Attachment A: Water Rate Analysis for Calendar Year (CY) 2012

**VENTURA COUNTY WATERWORKS DISTRICT NO. 1  
Water Rate Analysis for Calendar Year (CY) 2012**

**Projected Fund Balance at the End of Fiscal Year 2012 (June 30, 2012)**

<b>Water Rate</b>	<b>4%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>
<u>Option 1</u> Same Allocations Year-Round	\$650,700	\$712,100	\$773,600	\$835,000	\$896,500
<u>Option 2</u> Low Demand Allocations (November – April) Peak Demand Allocations (May – October)	\$442,900	\$500,400	\$557,800	\$615,300	\$672,700

(PP/rates/District/110906WtrRateAnalysisOpt1&2-st)