

**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: January 11, 2012 (CC Meeting of 1/18/12)

SUBJECT: Consider Calendar Year 2012 Water Rate Analysis Being Considered by the Ventura County Board of Supervisors

BACKGROUND

The City of Moorpark (City), as well as most water users in southern California, is 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), an agency responsible for 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 for 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. In February 2011, the City received a new Notice of Proposed Water Rate Increase stating that a 12% increase, which included moving from a demand (low and peak) rate structure to a tiered rate structure, would be considered by the Board in April 2011. The Board adopted the 12% increase which took effect in May 2011.

In December 2011, the City received Attachment A, a Notice of Proposed Water Rate Increase and Allocation Adjustments (Notice), dated December 8, 2011, proposing to increase water rates for most of 2012, add a new Tier I to the current tiered rate structure for a total of four tiers, and return to low and peak demand rates. If adopted by the Board, the City would see an 8% increase in water costs.

DISCUSSION

In August 2011, Calleguas adopted an 8% water rate increase for 2012. 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 District's Fund Balance, a fund established by the District to offset future rate increases imposed by Calleguas and Metropolitan, which is currently reported to be zero. The Committee also considered 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 2012 water rate increase of Calleguas (Metropolitan increased water rates by 7.5% for 2012), 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 Committee, in September 2011, favored a scenario which reverts the current tiered rate structure back to a demand rate structure and splits the current Tier I into a new Tier I and Tier II with an overall water rate increase range of 6.5-8%. This scenario projects a Fund Balance replenishment of about \$550,000. Staff presented this scenario to Council at the September 27, 2011 City Council Meeting. The matter was discussed and no action was taken. The Committee met again on October 6, 2011 and decided to recommend this scenario to the Board for adoption. The attached Notice reflects this recommendation.

The Notice sets a hearing to be held on Tuesday, January 24, 2012 and proposes the following. Tier I is proposed to be split into two tiers to provide customers who have the lowest water usage, those who use water indoors only, with the lowest rate increase. The new rates will be increased by 6.5%, from \$2.421 per Hundred Cubic Feet (HCF) to \$2.578/HCF, for the proposed Tier I (from the current Tier I), and by 8%, from \$2.421/HCF to \$2.615/HCF for the proposed Tier II (from the current Tier I). Tier II of the current rate structure would become Tier III of the proposed rate structure with an 8% increase, from \$3.632/HCF to \$3.923/HCF. Tier III would become Tier IV with an 8% increase, from \$6.053/HCF to \$6.538/HCF. The Notice proposes the reintroduction of a low and peak demand rate structure. The Committee felt that reintroducing a low and peak demand allocation would allow customers to use more water, to a certain extent, than current allocations during peak demand period without going into the next tiered rate.

This increase in water rates would not only pass through the water rate increases set by both Calleguas and Metropolitan, but it would replenish the District's Fund Balance to an anticipated \$550,000 by July 1, 2013, falling short of the District's goal of maintaining a Fund Balance of \$660,000.

This water rate increase is expected to be implemented on March 1, 2012 according to the tentative schedule published by the District. Thereafter, a 2013 water rate increase is expected for which the implementation date is currently unknown but could potentially be January 1, 2013 rendering the water rate increase proposed in the Notice to be effective for a ten month period only.

The District increased the water rates over the past several years and the percentage of increase over the last three years is as follows:

<u>Effective Date</u>	<u>Percentage of Increase</u>
February 2009	15.0%
January 2010	16.0%
May 2011	12.0%
March 2012 (proposed)	6.5-8.0%

Options for consideration include:

1. Take action to support the proposed increase and/or the return to low and peak demand allocations;
2. Take action to protest the proposed increase; or
3. Receive and file the report.

FISCAL IMPACT

Without further reduction in water use, the proposed 8% rate increase would cost the City approximately \$11,820 in parks and landscaping subsidies out of the General Fund and approximately \$39,980 in self-funded landscape assessment district zones for the Fiscal Year 2011/12.

STAFF RECOMMENDATION

Direct staff as deemed appropriate.

Attachment A: Notice of Proposed Water Rate Increase and Allocation Adjustments



**NOTICE OF PROPOSED WATER RATE INCREASE
AND ALLOCATION ADJUSTMENTS
Ventura County Waterworks District No. 1**

Ventura County Waterworks District No. 1 (District) 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 District provides local water from groundwater wells and imported water from the State Water Project, through Metropolitan Water District (Metropolitan) and Calleguas Municipal Water District (Calleguas). The District is responsible for providing an uninterrupted, reliable water supply that meets the State of California water quality requirements.

Metropolitan increased their water rates, which will be effective January 1, 2012. In response, Calleguas has increased their water rate to its purveyors, including the District. Consequently, the District's imported water costs are increasing by 8% in calendar year 2012. In addition, the estimated Southern California Edison (SCE) rate increase for calendar year 2012 is approximately 5%, which impacts the costs associated with pumping the local groundwater to District customers.

The District's water rates have been reviewed to determine the impact of the Metropolitan/Calleguas and SCE rate increases. It has been determined that the increases cannot be absorbed by the District's current operating budget. Therefore, we are recommending both a water commodity rate increase and a change in the tier allocations to include a fourth tier. The proposed rate for the new Tier I allocation is 6.5% greater than the current Tier I rate. The proposed rate for the new Tier II allocations is 8% greater than the current Tier I rate. Agricultural water rates are recommended to be 85% of the proposed Tier II water rate, which is effectively 8% higher than the current Agricultural water rate. The District's last water rate increase of 12% was approved on April 5, 2011.

The District currently employs a three-tiered, increasing-block rate structure, with allocations based on meter size. In order to minimize the impact of the proposed water rate increase on customers with minimal water use, the District is proposing new Tier I allocations which would allow enough water for basic water needs. In the four-tiered rate structure, Tier II allocations would provide for efficient outdoor irrigation. Tier III and Tier IV water rates would provide disincentives for inefficient water use. The four-tiered water rate structure will encourage water conservation and provide low water use customers another means to control their water costs.

We are also recommending implementing a return to peak and low-demand allocations which were eliminated by action of the Ventura County Board of Supervisors in April 2011. Peak demand allocations provide higher allocations during the historically warmer months, May through October of each year, when outdoor irrigation use generally increases.

**THE CURRENT AND PROPOSED WATER COMMODITY RATES AND
ALLOCATIONS ARE SHOWN ON THE ATTACHMENT TO THIS NOTICE**

District's Citizens' Advisory Committee unanimously concurred with the return to peak and low demand allocations and the proposed four-tiered rate structure with a 6.5% water commodity rate increase for the newly created Tier I allocations, an 8% rate increase for the newly created Tier II allocations and Agricultural water use.

This notice is to inform you that a hearing will be held on Tuesday, January 24, 2012, at 10:00 a.m. in the Board of Supervisors' Hearing Room in the Hall of Administration at the Ventura County Government Center, 800 South Victoria Avenue, Ventura, concerning the proposed water rate increase. At the hearing, any person may be heard regarding the recommended rate increase.

If you oppose the proposed water rate increase and/or allocation adjustments, your protest must be submitted in writing to be considered, even if you are planning to attend the public hearing. Your written protest must be received by the Ventura County Clerk of the Board prior to the January 24, 2012 public hearing.

Protests must contain the following information: 1) a description of the property, such as the Assessor's Parcel Number; 2) your Ventura County Waterworks District No. 1 Account Number; 3) whether you are the property owner of record or a lease holder. *Please note that if you were not the owner of the property as of Ventura County's last tax roll, please include written confirmation that you presently own the property;* and 4) indication that the water rate increase is being protested. You may send your written protest to:

**Ventura County Clerk of the Board
800 South Victoria Avenue
Ventura, CA 93009**

Further information regarding the proposed water rate increase and allocation adjustments may be obtained by calling (805) 378-3000, Monday through Friday, between 8 a.m. and 5 p.m. You may find additional information about the District on our website at <http://publicworks.countyofventura.org>. Click on the following links: Water and Sanitation Services, Utility Services Division, and Ventura County Waterworks District No. 1.

**VENTURA COUNTY WATERWORKS DISTRICT NO. 1
CURRENT AND PROPOSED WATER RATES AND ALLOCATIONS
December 8, 2011**

Current Water Commodity Rates	
Tier I	\$2.421/HCF (\$1,054.59/AF)
Tier II	\$3.632/HCF (\$1,582.10/AF)
Tier III	\$6.053/HCF (\$2,636.69/AF)
Agricultural	\$2.060/HCF (\$897.34/AF)
HCF = hundred cubic feet AF= acre feet	

Proposed Water Commodity Rates	
Tier I	\$2.578/HCF (\$1,122.98/AF)
Tier II	\$2.615/HCF (\$1,139.09/AF)
Tier III	\$3.923/HCF (\$1,708.86/AF)
Tier IV	\$6.538/HCF (\$2,847.92/AF)
Agricultural	\$2.223/HCF (\$968.34/AF)

Current Three-Tiered Year Round Allocations (in HCF)
(Based on a 30 day billing period)

Meter Size	Tier 1	Tier 2	Tier 3
¾"	0-14	15-25	26+
1"	0-28	29-49	50+
1 ½"	0-56	57-98	99+
2"	0-98	99-172	173+
3"	0-210	211-368	369+
4"	0-420	421-735	736+
6"	0-840	841-1470	1471+

Proposed Four-Tiered, Low and Peak Demand Allocations (in HCF)
(Based on a 30 day billing period)

Meter Size	Tier 1		Tier 2		Tier 3		Tier 4	
	Low (a)	Peak (b)	Low	Peak	Low	Peak	Low	Peak
¾"	0-5	0-8	6-14	9-21	15-25	22-37	26+	38+
1"	0-10	0-16	11-28	17-42	29-49	43-74	50+	75+
1 ½"	0-20	0-32	21-56	33-84	57-98	85-148	99+	149+
2"	0-35	0-56	36-98	57-147	99-172	148-259	173+	260+
3"	0-75	0-120	76-210	121-315	211-368	316-555	369+	556+
4"	0-150	0-240	151-420	241-630	421-735	631-1110	736+	1111+
6"	0-300	0-480	301-840	481-1260	841-1470	1261-2220	1471+	2221+

- (a) Low demand period November through April
(b) Peak demand period May through October