

**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: October 23, 2012 (CC Meeting of 11/7/12)

**SUBJECT: Consider Calendar Year 2013 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. At a Special City Council (Council) meeting held on June 13, 2012, the General Managers from both Metropolitan and Calleguas addressed Council to discuss and explain the reasons they expect annual water rate increases over the next ten years.

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 a Notice of Proposed Water Rate Increase and Allocation Adjustments, 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. The Board adopted the proposed 8% increase for calendar year 2012.

In addition to recovering direct costs from the Calleguas water rate increase, the District wishes to maintain the Fund Balance, a fund established by the District to offset future rate increases imposed by Calleguas and Metropolitan, at \$660,000. In December 2011, this Fund Balance was reported to be zero while the current Fund Balance is reported to be \$750,000. District staff attributes the elimination of the low and peak demand allocations with the fact that the current Fund Balance is higher than the forecast. The District also noticed a 12.5% water use reduction after the implementation of the tiered rate structure and believes the new tiered rate structure contributed towards this conservation.

DISCUSSION

Calleguas has adopted a 6% water rate increase which will be effective starting January 1, 2013. The District is faced with proposing another increase in water rates and expects to have a new rate structure adopted by and effective on February 1, 2013 to cover the Calleguas increase. At the October 11, 2012 District Citizens' Advisory Committee (Committee) meeting, the Committee reviewed several options for water rate increases outlined by District staff.

The Committee discussed the merits of implementing a 4% water rate increase for Municipal and Industrial (M&I) water, projecting a December 2013 Fund Balance of \$657,300, versus a 5% water rate increase, projecting a December 2013 Fund Balance \$696,100. The Committee decided to recommend a 4.5% water rate, projecting a December 2013 Fund Balance of \$676,700 to the Board for adoption. The attached Notice of Proposed Water Rate Increase and Agricultural Allocation Adjustments (Notice) reflects this recommendation.

The Notice sets a hearing to be held before the Board on Tuesday, December 4, 2012 and proposes the following increases if adopted. The current water rates will be increased by 4.5%, from \$2.578 per Hundred Cubic Feet (HCF) to \$2.694/HCF for Tier I; from \$2.615/HCF to \$2.734/HCF for Tier II; from \$3.923/HCF to \$4.101/HCF for Tier III; and from \$6.538/HCF to \$6.835/HCF for Tier IV.

The Notice also recommends splitting agricultural water rates into a tiered structure. The current agricultural rate is \$2.223/HCF. The Notice proposes a 2013 agricultural water rate of \$1.561/HCF for Tier I and \$2.694/HAF for Tier II. District Staff, present at the October 2012 Committee meeting, emphasized that the agricultural water rates do not impact the M&I water rates and, therefore, the M&I water rates are in no way subsidizing the proposed agricultural water rates.

This water rate increase is expected to be implemented on February 1, 2013. Thereafter, a 2014 water rate increase is expected for which the implementation date is currently

unknown but could potentially be January 1, 2014 rendering the water rate increase proposed in the Notice to be effective for an eleven month period only.

The District increased the water rates over the past several years and the percentage of increase over the last four 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 (new tiered structure)	6.5-8.0%
February 2013 (proposed)	4.5%

Options for consideration include:

1. Take action to support the proposed increase;
2. Take action to protest the proposed increase; or
3. Receive and file the report.

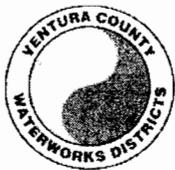
FISCAL IMPACT

The water rate increase assumed during the preparation of the current budget exceeded 4.5%. The City is not expected to incur costs in excess of the budgeted figures with the adoption of the proposed 4.5% water rate increase.

STAFF RECOMMENDATION

Direct staff as deemed appropriate.

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



NOTICE OF PROPOSED WATER RATE INCREASE AND AGRICULTURAL 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.

Local groundwater supply is managed by the Fox Canyon Groundwater Management Agency (GMA). The District's GMA groundwater allocations were first established based on historical water pumping from 1985 through 1989. The District's current GMA allocations have been reduced by 25% to control groundwater overdraft. Approximately 20% of the District's water supply comes from local groundwater.

Metropolitan has approved a water rate increase, which will be effective January 1, 2013. Calleguas has also increased their calendar year 2013 water rates to its purveyors, including the District. The Calleguas rate increase is a pass-through of the Metropolitan rate increase and also provides some funding for the Calleguas Salinity Management Pipeline project which will facilitate the development of brackish groundwater desalination within the District's service area. **Consequently, the District's imported water costs are increasing by 6.5% in calendar year 2013.** Municipal and Industrial (M&I) customers within City boundaries use mostly imported water. Blending with local groundwater may occur at times based on the available local and imported water supply.

In addition to the Metropolitan/Calleguas rate increase, the estimated Southern California Edison (SCE) rate increase for calendar year 2013 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 a water commodity rate increase of 4.5% for the District's M&I customers.**

The District is also recommending tiered agricultural water rates and allocations based on the District's proportional local and imported available water supply. Under the proposed new agricultural tiered rate structure, customers will be given new monthly tiered allocations based on the irrigated acres for each customer as verified through the latest aerial mapping. All water used within the Tier 1 allocation will be billed at the proposed **Agricultural Tier I** rate of \$680 per acre foot (AF). This is a 30% decrease in the current agricultural blended water rate, and is based on local water supply available for District agricultural customers. All water consumption greater than the Tier I allocation will be billed at the **Agricultural Tier II** rate of \$1,173.51/AF, which is based on the cost of providing imported water and is 21% higher than

the current blended agricultural rate. Tiered agricultural rates are proportional to the cost of providing local and imported water service to each parcel.

The last water rate increase for District customers was approved in January 2012.

The current and proposed water rates are shown in the tables below:

Ventura County Waterworks District No. 1 Water Commodity Rates Municipal and Industrial Customers		
	<i>Current</i>	<i>Proposed</i>
Tier I	\$2.578/HCF (\$1,122.98/AF)	\$2.694/HCF (\$1,173.51/AF)
Tier II	\$2.615/HCF (\$1,139.09/AF)	\$2.734/HCF (\$1,190.93/AF)
Tier III	\$3.923/HCF (\$1,708.86/AF)	\$4.101/HCF (\$1,786.40/AF)
Tier IV	\$6.538/HCF (\$2,847.95/AF)	\$6.835/HCF (\$2,977.33/AF)

Ventura County Waterworks District No. 1 Water Commodity Rates Agricultural Customers		
<i>Current Blended</i>	<i>Proposed Tiered</i>	
\$2.223/HCF (\$968.34/AF)	Tier I \$1.561/HCF (\$680/AF)	Tier II \$2.694/HCF (\$1,173.51/AF)
HCF =Hundred Cubic Foot AF = Acre Foot		

On October 11, 2012, the District's Citizens' Advisory Committee unanimously concurred with the proposed tiered agricultural allocations and rates and a 4.5% increase in the tiered M&I water commodity rate.

This notice is to inform you that a hearing will be held on Tuesday, December 4, 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, 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 December 4, 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 general 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.

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