



## **County of Ventura Public Works Agency Water and Sanitation Department WATER RATE STRUCTURE CHANGES**



**Waterworks District Nos. 1 (Moorpark), 17 (Bell Canyon), 19 (Somis), and 38 (Lake Sherwood)**

As water becomes an ever-more precious resource in Ventura County, Ventura County Waterworks District Nos. 1, 17, 19, and 38, will hold special Citizens' Advisory Committee meetings to review recommended changes to their 2017 water rate structure.

As with other agencies, the Districts face significant challenges, including aging infrastructure, regulatory compliance (including new State reporting on water use), environmental sustainability, and the higher costs of water itself. The recommended changes in the water rate structure will better reflect the actual cost of acquiring, treating, storing, and delivering potable water. Such changes are also necessary to maintain sufficient revenues to cover costs associated with operating the Districts' pipelines, pumps, reservoirs, water treatment facilities and equipment, and to ensure financial security in the event of a disaster or other emergency.

Please see the list of FAQs below for more information or visit our website at <http://vcpblicworks.org/water-sanitation-department/water-and-sanitation-services> for rate calculators, detailed reports, and ways to lower your water usage.

### **Frequently Asked Questions:**

#### **Q: Why is there a proposed water rate adjustment?**

**A:** The proposed water rate adjustment will ensure that the water rates reflect the cost of serving customers, ensure the financial health of the water system, and provide a stable revenue stream to avoid rate instability. The mission of the Districts is to provide high-quality water at a reasonable cost, and to meet all State and Federal requirements while promoting the sustainable management of our most precious resource. To achieve all of these, the capital and financial resources of the Districts must be managed fairly and efficiently; therefore, we are proposing a way to adjust water usage rates that more accurately reflect costs to provide the resource.

#### **Q: Why are the rates increasing?**

**A:** California Proposition 218 (1996) and a recent California Appellate Court decision require rates to be tied to actual cost of service. In addition, the conservation efforts due to the drought resulted in a reduction of revenue. The rates set must fully cover costs of delivering water, including the actual cost of water from our suppliers, as well as the fixed costs, equipment, reservoirs, personnel costs, annual debt service, construction of capital improvements to the system, and maintaining adequate reserves. The Districts receives 90% of their revenues from the variable water rate.

For billing inquiries, go to  
**[vcpblicworks.org/water-sanitation-department](http://vcpblicworks.org/water-sanitation-department)**

For conservation information, visit  
**[SlowYourH2O.org](http://SlowYourH2O.org)**

**Q: If water usage is down, then why are rates not decreasing?**

A: It is important to understand that the fixed assets and related costs do not decrease because customers are using less water. There still are reservoirs and miles of water lines to maintain, the debt service and reserves still have to be funded, and the same number of employees are needed to run the system. Some Districts are also refurbishing and replacing aging infrastructure which could pose a big liability for the District if they are not completed in a timely manner.

**Q: Why is the meter service charge increasing?**

A: Fixed costs of the water system include operations and maintenance, meter reading, billing, capital costs, etc. The Districts' fixed costs in the system range from 25% to 50% of the total costs of the system. Currently, the fixed charge recovers approximately 10% of the total costs or conversely, 90% of the total rate revenue comes from the variable water sales. Reduced water sales result in lower revenues, which are inadequate to fund the water system. Gradually increasing meter charges to recover a higher portion of the fixed costs is therefore necessary to provide revenue stability and fairly pass on costs to customers.

**Q: Do the Districts anticipate further rate increases?**

A: The Districts contracted a financial consultant, Raftelis Financial Consultants, Inc. to review the rates to ensure that they meet regulatory requirements. The consultant examined the Districts' expenses and recommended rate increases to make certain that the Districts are adequately funded to continue to provide quality service to its customers. Based on 10-year financial prospects, Raftelis has developed a 4 to 5 year rate plan.

**Q: Why are agricultural water rates uniform?**

A: Rates in California are governed by Proposition 218 which was approved in 1996. Last year an Appellate Court decision clarified the regulations governing rates. As a result, rates are now required to be closely tied to the cost of providing service. There is no difference in costs to serve larger lots as compared to smaller lots. Therefore, rates are the same for all agricultural customers irrespective of size.

**Q: How will the rate adjustment affect the average customer's bill?**

A: To better calculate how the rate adjustments will impact your monthly bill, please visit <http://vcpbublicworks.org/water-sanitation-department/water-and-sanitation-services> to access the [rate calculator](#). Please have your current bill on hand.

**Q: How is the new rate structure determined?**

A: In order to ensure a high level of analysis and sound recommendations for the proposed water rate structure changes in 2017, the Districts contracted with Raftelis Financial Consultants, Inc. Raftelis utilized standardized water and fixed cost guidelines based on the national benchmarks from the American Water Works Association in the preparation of the rate study. Raftelis has also recently completed comprehensive studies for many water agencies across the United States, including the neighboring cities of Ventura and Thousand Oaks.

**Q: Does the new rate structure factor in infrastructure needs?**

A: The new rates will ensure that the Districts can provide and maintain the physical infrastructure needed to fulfill their mission. Like other water suppliers, the Districts faces significant challenges, including aging infrastructure, regulatory compliance (including new State requirements on water use), environmental sustainability, and higher costs of water itself. '

**Q: Can tiered rates still be used to achieve water conservation?**

A: Tiered rates are commonly understood to incentivize conservation, by sending consumers a “price signal” in which the per-unit cost of water increases as consumption increases. As long as tiered rates are cost-justified and don’t exceed the proportional cost of service, they are constitutionally permissible as one way to encourage conservation.

**Q: Can tiered rates be used in special situations, such as drought?**

A: Tiered rates may continue to be used by water agencies, provided they represent the actual costs of providing water service to customers. But the *San Juan Capistrano* decision does come at a critical time for California, entering its fourth year of historic drought. Just days before the court issued its ruling, the Governor issued an Executive Order ordering the State Water Resources Control Board to direct urban water suppliers to develop rate structures (presumably tiered structures) and other pricing mechanisms to maximize conservation. The Governor has since called the decision “a straightjacket on local government”, and a legislative response may be forthcoming. But since the California Supreme Court recently declined the State Board’s request to depublish the case, the *San Juan Capistrano* decision is now statewide precedent and may be relied upon by other California courts in future water ratemaking cases.

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