



# VENTURA COUNTY WATER COST OF SERVICE STUDY

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Waterworks District 38 – Lake Sherwood

Citizen Advisory Committee

October 19, 2016

# AGENDA

- Objectives of the Study
- Reasons for Rate Changes
- Proposed Water Rates
  - Rate study process
  - Proposition 218 requirements
  - Rates calculation
  - Customer impacts
- Q&A

# OBJECTIVES OF THE STUDY

- Ensure that the water rates are *defensible* and equitably recover the cost of serving customers
- Ensure the *financial health* of the water system
- Provide *stable* revenue stream to the water system to avoid rate instability

# REASONS FOR RATE CHANGES

- Defensible water rates in compliance with Proposition 218 and San Juan Capistrano requirements
  - Government code 54999.7 requires that a cost of service rate study be conducted at least every 10 years
- Water costs increases
  - Imported water costs increase at ~6% per year
  - Labor and material costs increase at ~3 to 5% per year
  - Capital needs of repair and replacement of aging water system infrastructure

# PROPOSITION 218 REQUIREMENTS

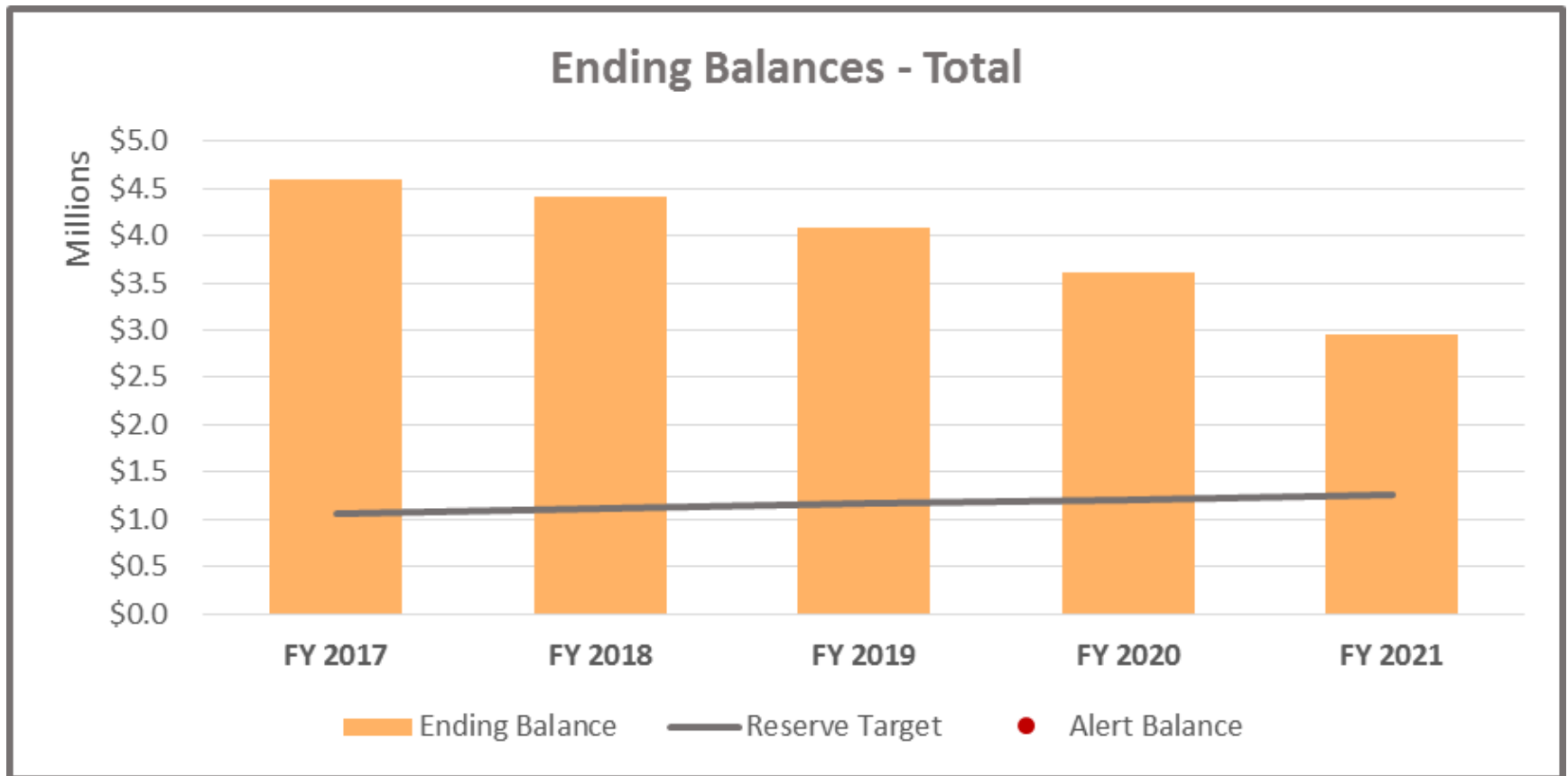
- An agency cannot collect revenue beyond what is necessary to provide service
- Revenues derived by the charge shall not be used for any other purpose other than that for which the charge was imposed
- *The amount of the fee may not exceed the proportional cost of service for the parcel*
- No charge may be imposed for a service unless that service is actually used or immediately available to the owner of property
- A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge

# SAN JUAN CAPISTRANO RULING

**There needs to be a nexus between cost of providing services and rates**

- City of Capistrano failed to demonstrate that the rates for the tiers represented the actual cost of providing service at a ***given level of usage***

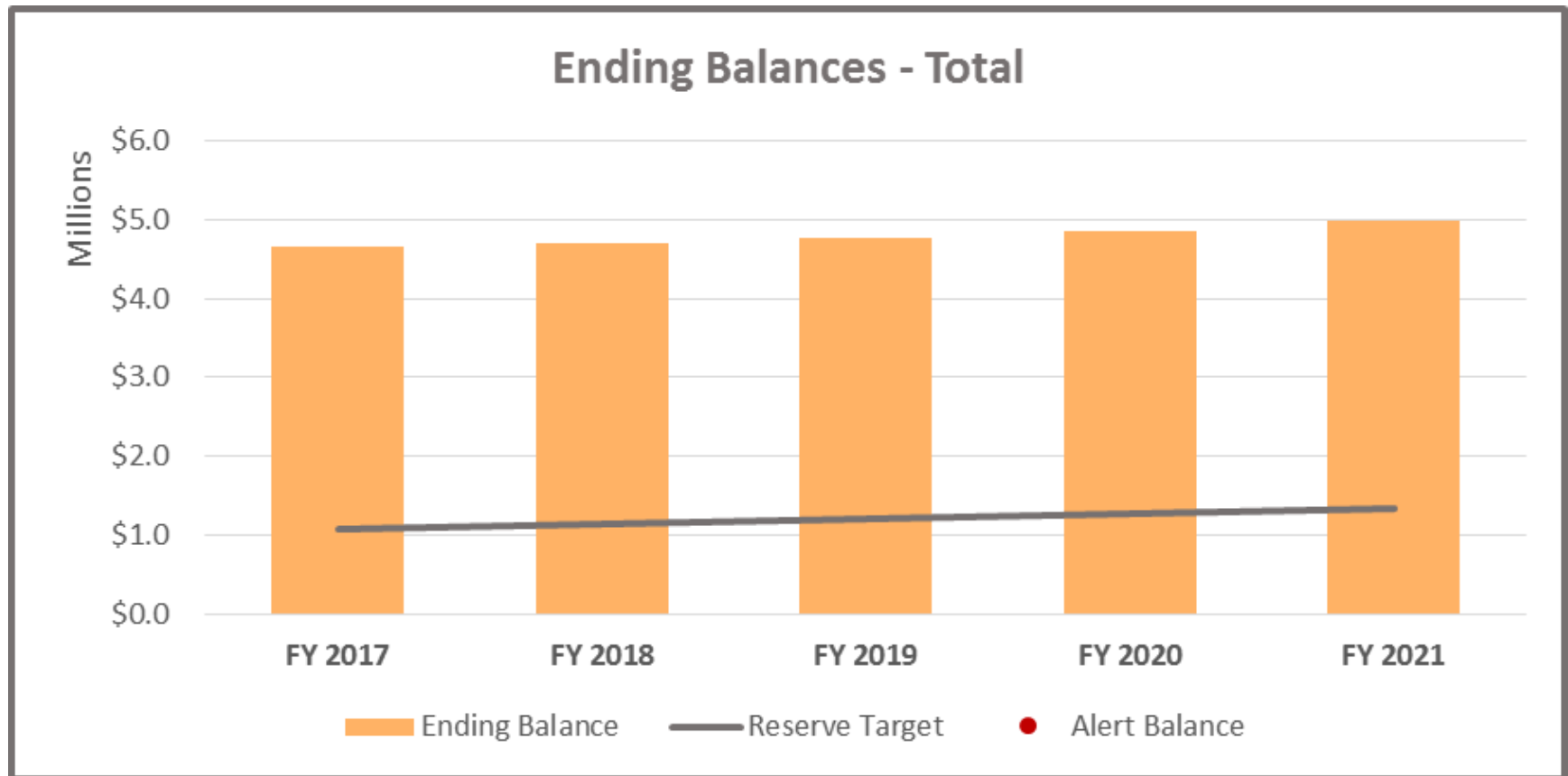
# FUND BALANCES – STATUS QUO



# RESERVES POLICY

Reserves Type	Purpose	Determination Method
Operating	Provide working capital, cash flow needs	3 months of O&M expenses
Rate Stabilization	Provide funds during periods of revenue shortages	10% of rate revenue
Capital	Provide funds to award contract and adjustments to timing	Funded by depreciation, target is 2% of net assets

# ENDING BALANCES – PROPOSED RATES



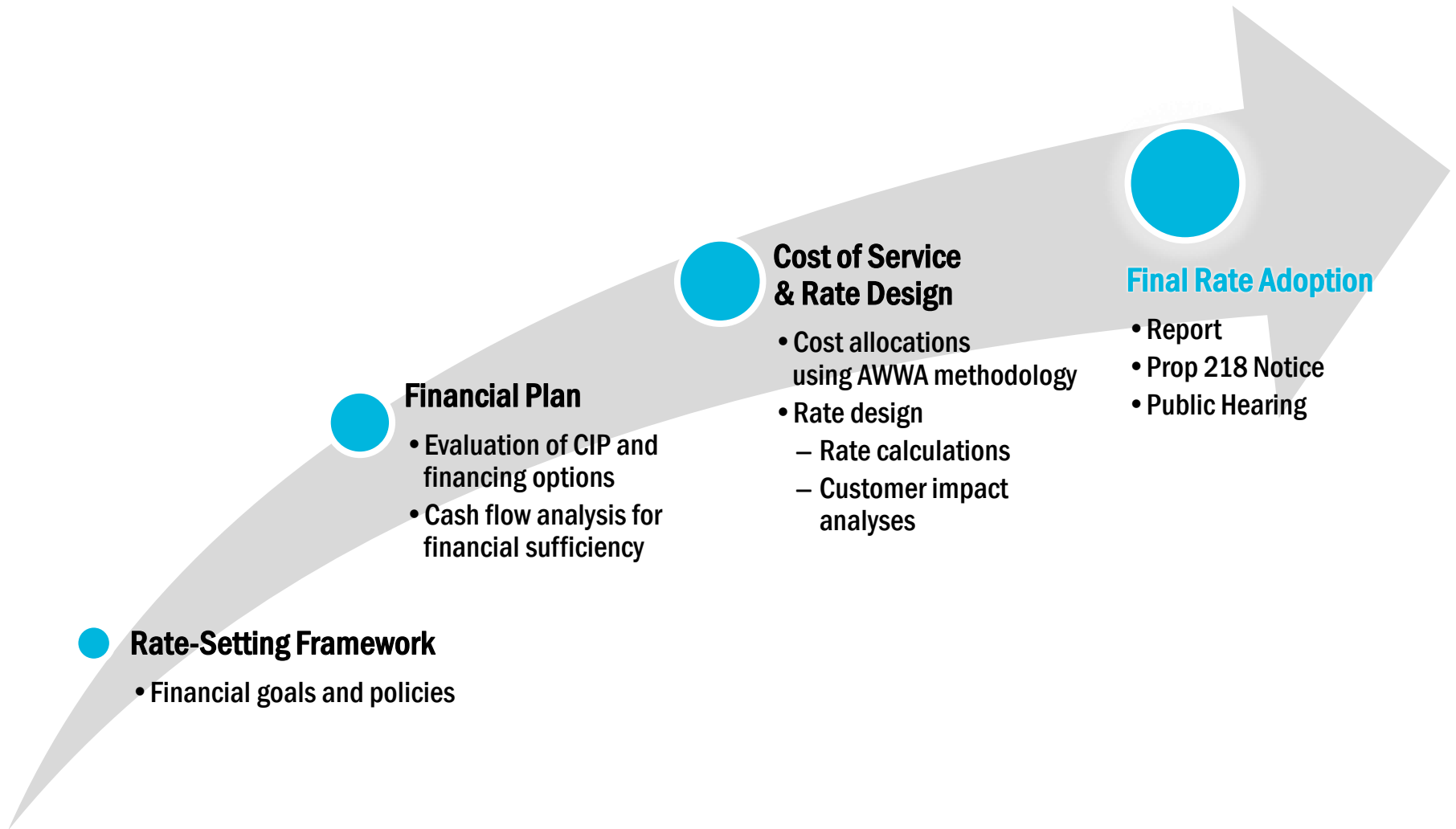
# PROPOSED WATER RATES

	February 2017	January 2018	January 2019	January 2020	January 2021
<b>Monthly Meter Charges</b>					
Meter Size					
3/4"	\$16.95	\$20.02	\$23.36	\$26.99	\$30.92
1"	\$25.37	\$29.96	\$34.96	\$40.38	\$46.26
1 1/2"	\$46.42	\$54.81	\$63.95	\$73.87	\$84.62
2"	\$71.68	\$84.63	\$98.74	\$114.05	\$130.64
3"	\$151.66	\$179.06	\$208.91	\$241.30	\$276.40
4"	\$269.52	\$318.21	\$371.25	\$428.80	\$491.18
6"	\$551.56	\$651.19	\$759.73	\$877.49	\$1,005.13
<b>Monthly Private Fire Line Charges</b>					
2"	\$6.36	\$6.68	\$7.02	\$7.38	\$7.75
3"	\$10.25	\$10.77	\$11.31	\$11.88	\$12.48
4"	\$16.95	\$17.80	\$18.69	\$19.63	\$20.62
6"	\$40.99	\$43.04	\$45.20	\$47.46	\$49.84
8"	\$82.46	\$86.59	\$90.92	\$95.47	\$100.25

# PROPOSED WATER RATES

		February 2017	January 2018	January 2019	January 2020	January 2021
<b>Commodity Rates</b>						
Residential						
Tier 1	0-10 hcf	\$4.30	\$4.47	\$4.65	\$4.83	\$5.02
Tier 2	>10-63 hcf	\$4.66	\$4.85	\$5.04	\$5.24	\$5.45
Tier 3	>63 hcf	\$5.63	\$5.85	\$6.08	\$6.32	\$6.57
Residential Non-Tiered		\$5.09	\$5.29	\$5.50	\$5.72	\$5.94
Non-Residential		\$5.23	\$5.44	\$5.65	\$5.87	\$6.10
Temporary Construction		\$4.35	\$4.52	\$4.70	\$4.89	\$5.08

# RATE STUDY PROCESS



# WHAT IS COST OF SERVICE?

## Rationale:

- Different types of customers generate different costs because their patterns of use or characteristics are different
- Cost of service allows the matching of rates charged to each group with the costs of serving them
- Each group will “pay its own way”; no subsidies

# PROPOSED METER CHARGES

- Retain current fixed revenue percentage of ~8%
  - Increase subsequent year by 1% to provide for revenue stability
- Use AWWA meter capacity ratio to differentiate between meter sizes

Meter Size	Meter Ratio	Customer/ Billing	Total Monthly Charges	Current Charges	Difference	No. of Meters
3/4"	1.00	\$4.32	\$16.95	\$12.50	\$4.45	401
1"	1.67	\$4.32	\$25.37	\$25.00	\$0.37	301
1 1/2"	3.33	\$4.32	\$46.42	\$50.00	(\$3.58)	21
2"	5.33	\$4.32	\$71.68	\$87.50	(\$15.82)	31
3"	11.67	\$4.32	\$151.66	\$187.50	(\$35.84)	5
4"	21.00	\$4.32	\$269.52	\$375.00	(\$105.48)	2
6"	43.33	\$4.32	\$551.56	\$750.00	(\$198.44)	0

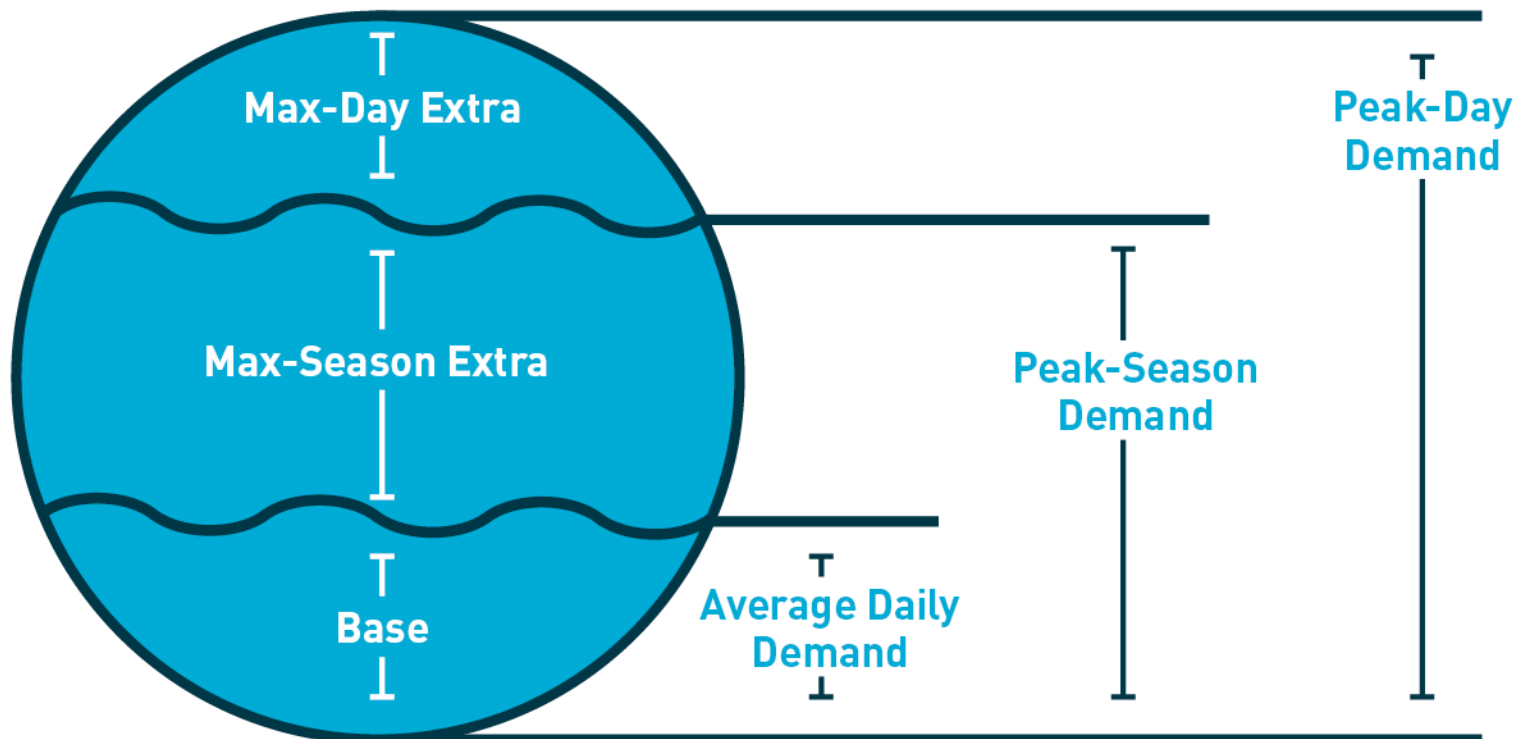
# PROPOSED WATER RATE STRUCTURE

- SFR customers will have 3 tiers
  - Tier 1: 0-10 hcf/month – provide for indoor water usage
  - Tier 2: >10-63 hcf/month – represent average usage
  - Tier 3: >63 hcf/month
- All other customers will have uniform rates
  - Residential Non-Tiered (HOAs)
  - Non-Residential
  - Temporary Construction

# WATER RATE COMPONENTS

- *Water supply* costs
  - 100% Imported water
- *Base delivery* costs recover remaining fixed costs not recovered by service charges
- *Peaking* costs recover the extra capacity, or peak demand, costs of the system

# HOW DO WE DETERMINE PEAK DEMAND?



# PEAKING COSTS

- **Peaking factors:**
  - Indoor Use: very low-peaking
  - Outdoor Use: high peaking factors
  - Commercial / Industrial: low peaking factor
- Peaking factors by customer classes



# PROPOSED WATER RATES

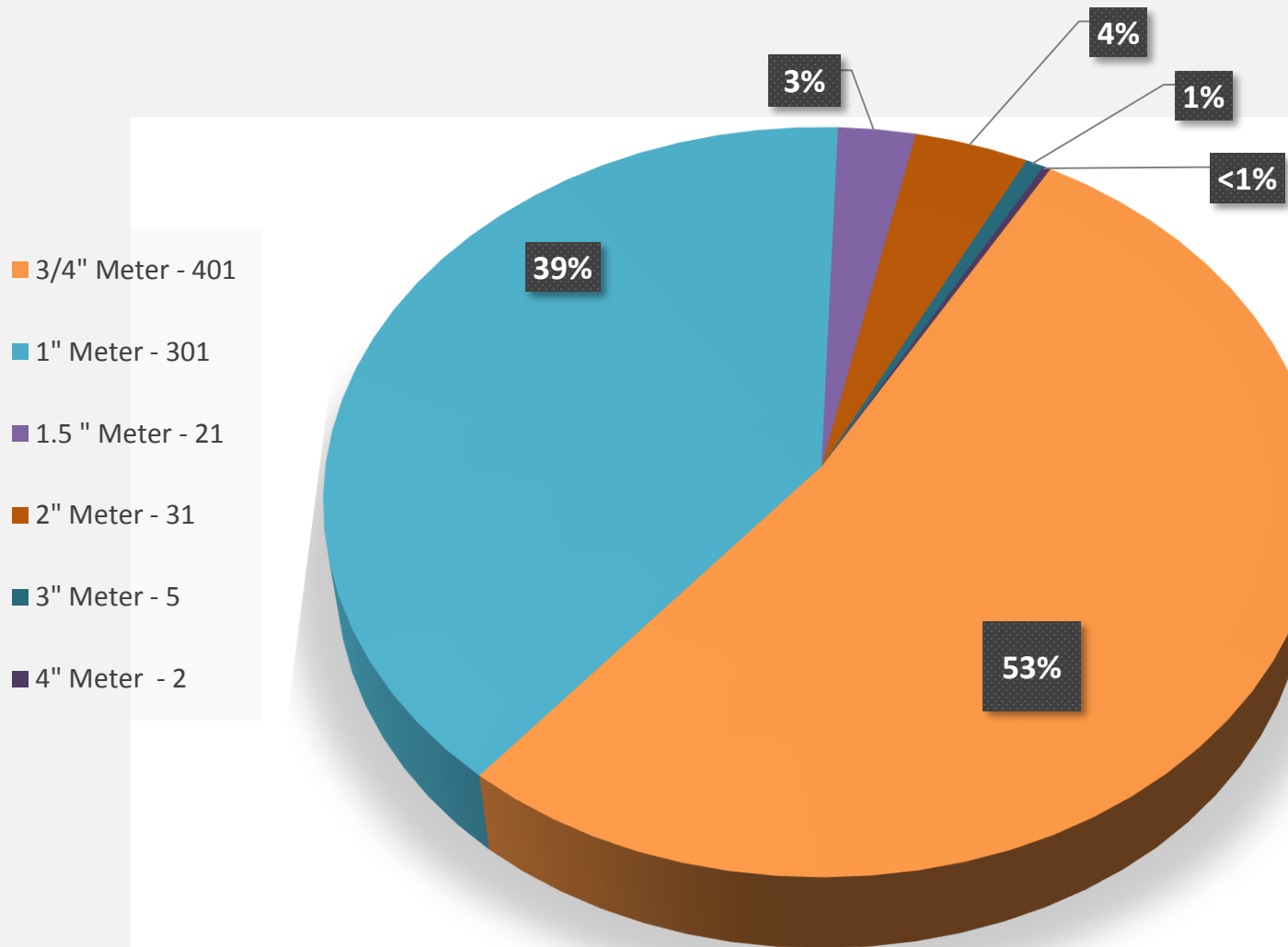
Customer Class	Monthly Tier (hcf)	% Usage	% Bills	Usage (hcf)	Supply	Base Delivery	Peaking	Total Rate
Residential								
Tier 1	10	15%	15%	67,813	\$3.46	\$0.79	\$0.04	<b>\$4.30</b>
Tier 2	63	45%	56%	204,928	\$3.46	\$0.79	\$0.41	<b>\$4.66</b>
Tier 3	>63	40%	29%	182,468	\$3.46	\$0.79	\$1.37	<b>\$5.63</b>
<b>Subtotal Residential</b>				<b>455,209</b>				
Residential Non-Tiered				23,202	\$3.46	\$0.79	\$0.83	<b>\$5.09</b>
Non-Residential				39,593	\$3.46	\$0.79	\$0.97	<b>\$5.23</b>
Temporary Construction				4,848	\$3.46	\$0.79	\$0.09	<b>\$4.35</b>

Q&A

# BACKUP SLIDES

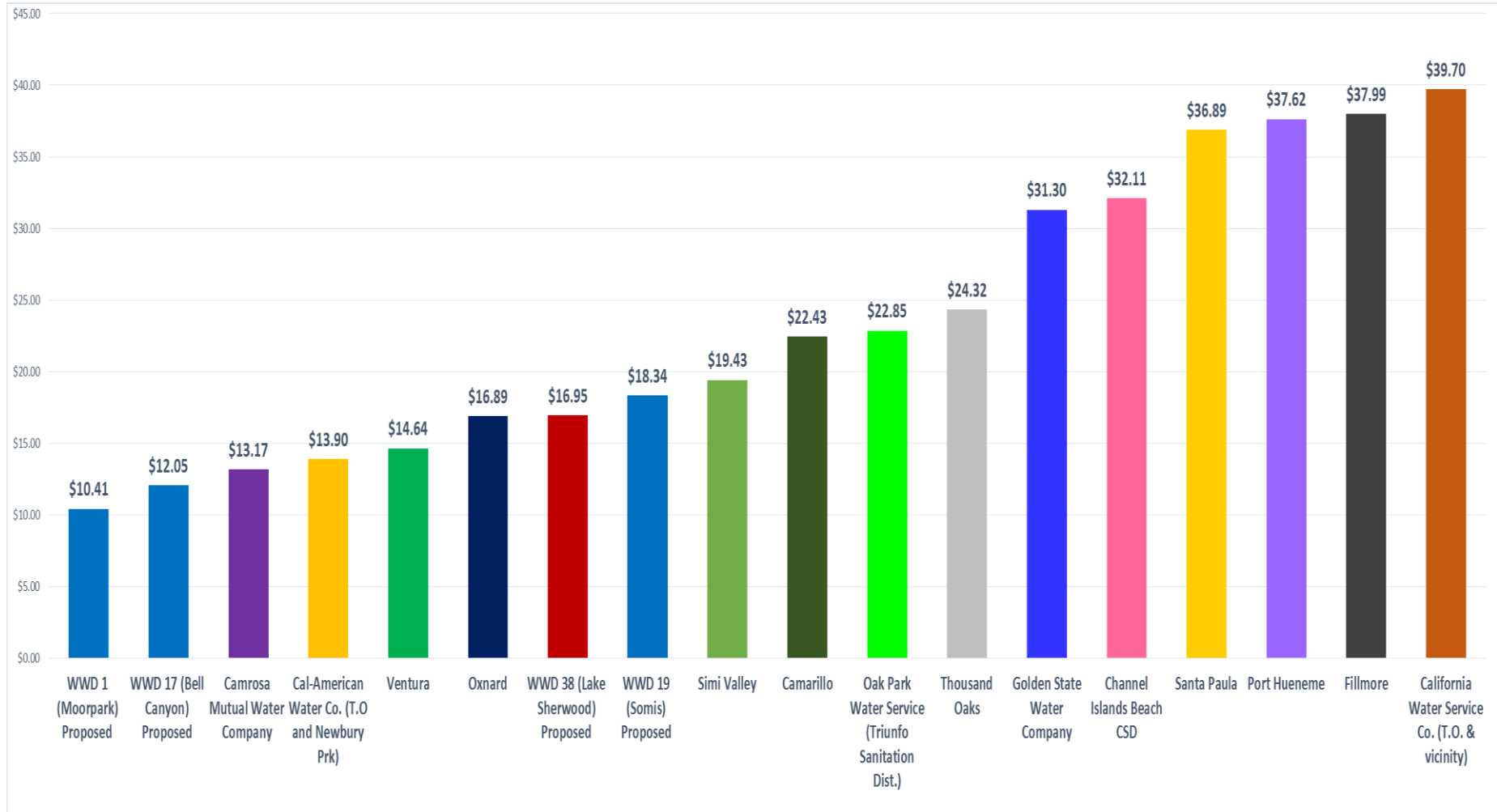
## Ventura County Waterworks District No. 38 (WWD 38)

### Number and Percentage of each Meter Size



Disclaimer: While the information contained in this comparison has been presented with all due care, the County of Ventura Water and Sanitation Department does not warrant or represent that the information is free from errors or omissions.

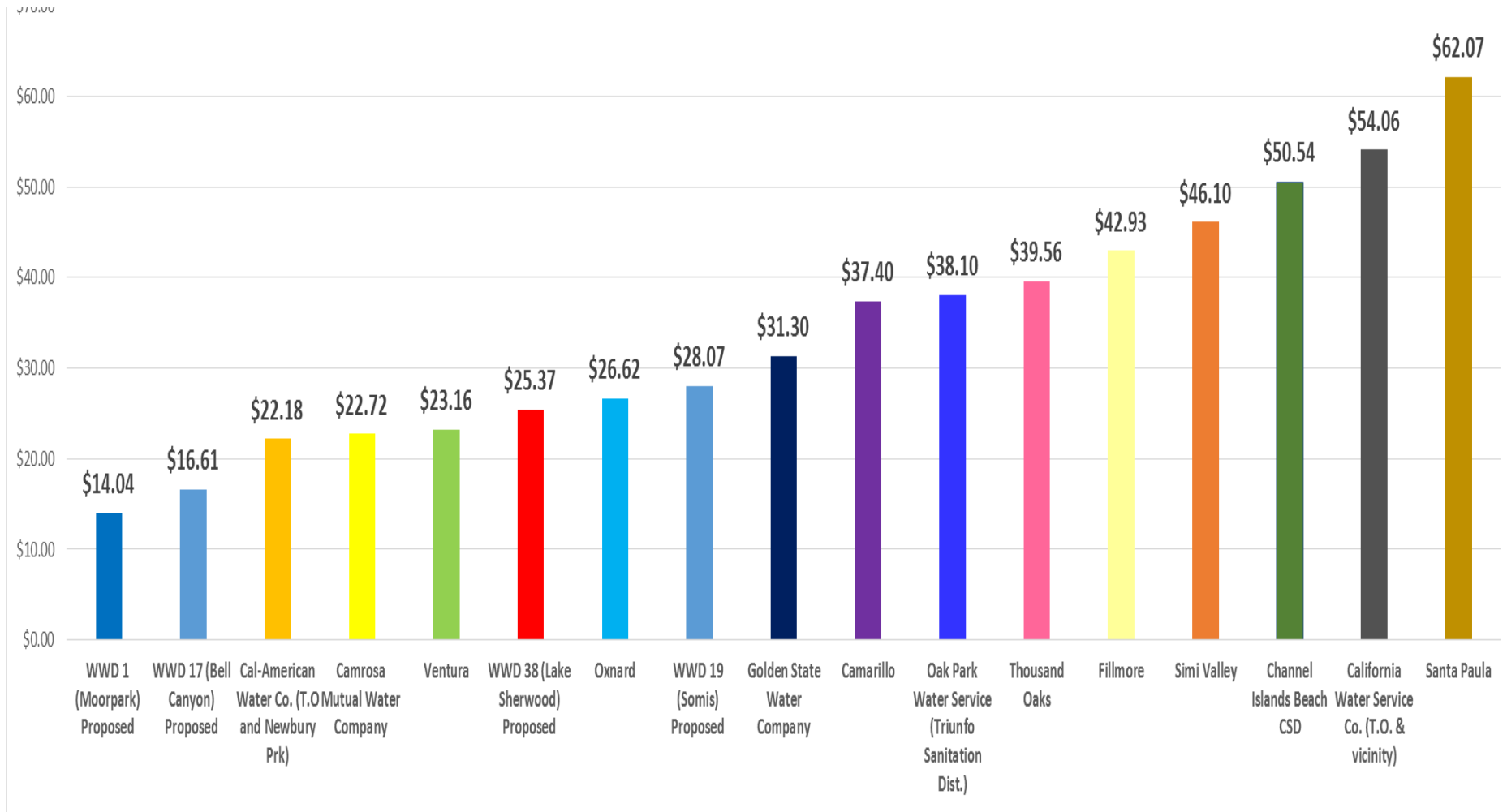
## A Comparison Between WWD 38 and Neighboring Water Districts Current and Proposed $\frac{3}{4}$ Inch Meter/Monthly Services Charges



**County of Ventura Water and Sanitation Department**

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## A Comparison Between WWD 38 and Neighboring Water Districts Current and Proposed 1 Inch Meter/Monthly Services Charges



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## Ventura County Waterworks District No. 38 Current Ban Structure`

Water/Irrigation Tiered Commodity Rates WH0/IQ0			
LSCSD - Rounding			
Low Demand			
Rate	Tier I \$3.075/hcf	Tier II \$4.613/hcf	Tier III \$7.688/hcf
Penalty		\$1.538	\$4.613
<b>BAN</b>	Values are the Top of the Range (hcf)		
1	13.50	23.63	999,999,999
2	20.25	35.44	999,999,999
3	27.00	47.25	999,999,999
4	33.75	59.06	999,999,999
5	40.50	70.88	999,999,999
6	47.25	82.69	999,999,999
7	54.00	94.50	999,999,999
8	60.75	106.31	999,999,999
10	74.25	129.94	999,999,999
13	94.50	165.38	999,999,999
16	114.75	200.81	999,999,999
20	141.75	248.06	999,999,999
29	202.50	354.38	999,999,999
39	270.00	472.50	999,999,999
44	303.75	531.56	999,999,999
59	405.00	708.75	999,999,999
119	810.00	1417.50	999,999,999

LSCSD - Rounding			
Peak Demand			
Rate	Tier I \$3.075/hcf	Tier II \$4.613/hcf	Tier III \$7.688/hcf
Penalty		\$1.538	\$4.613
<b>BAN</b>	Values are the Top of the Range (hcf)		
1	25.50	44.63	999999999
2	38.25	66.94	999999999
3	51.00	89.25	999999999
4	63.75	111.56	999999999
5	76.50	133.88	999999999
6	89.25	156.19	999999999
7	102.00	178.50	999999999
8	114.75	200.81	999999999
10	140.25	245.44	999999999
13	178.50	312.38	999999999
16	216.75	379.31	999999999
20	267.75	468.56	999999999
59	765.00	1338.75	999999999
119	1530.00	2677.50	999999999

## A Comparison Between WWD 38 Residential Water Rates and Neighboring Water Districts' Residential Rates

- Ventura County Waterworks District No. 38 - Proposed 2017 Rates
- Oak Park – Rates as of 2015-2016. Rate Increase Approved for 2017, but Rates Unavailable
- City of Thousand Oaks – Approved 2017 Rates



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**County of Ventura Water and Sanitation Department**

**Waterworks District #38 - Lake Sherwood**  
**Residential Customer's Average Monthly Usage Increase or Decrease by Meter Size & BAN**

Usage HCF	Meter Size	# of Customers	BAN 1-2	# of Customers	BAN 3-4	# of Customers	BAN 5-6	# of Customers	BAN 7-8
0 - 10	3/4"	139	\$9.16	0	-	0	-	0	-
> 10 - 63	3/4"	261	\$21.13	24	\$48.60	7	\$65.82	2	\$80.04
> 63	3/4"	9	(\$42.38)	3	\$41.26	1	\$135.13	1	\$138.95
0 - 10	1"	0	-	15	\$6.60	0	-	0	-
> 10 - 63	1"	0	-	127	\$40.43	4	\$63.71	2	\$59.83
> 63	1"	0	-	92	\$16.31	8	\$109.52	9	\$121.79
0 - 10	1.5"	0	-	0	-	0	-	0	-
> 10 - 63	1.5"	0	-	0	-	0	-	1	\$67.51
> 63	1.5"	0	-	0	-	0	-	13	\$108.48
0 - 10	2"	0	-	0	-	0	-	0	-
> 10 - 63	2"	0	-	0	-	0	-	0	-
> 63	2"	0	-	0	-	0	-	0	-

Usage HCF	Meter Size	# of Customers	BAN 9-13	# of Customers	BAN 16 -18	# of Customers	BAN 29
0 - 10	3/4"	0	-	0	-	0	-
> 10 - 63	3/4"	0	-	0	-	0	-
> 63	3/4"	1	\$166.20	0	-	0	-
0 - 10	1"	1	\$2.72	0	-	0	-
> 10 - 63	1"	3	\$53.30	0	-	0	-
> 63	1"	14	\$235.44	2	\$256.72	0	-
0 - 10	1.5"	0	-	0	-	0	-
> 10 - 63	1.5"	0	-	0	-	0	-
> 63	1.5"	2	\$238.66	0	-	0	-
0 - 10	2"	1	(\$13.88)	0	-	0	-
> 10 - 63	2"	0	-	0	-	0	-
> 63	2"	7	\$137.34	0	-	1	\$610.85

# Customers Average Monthly Bill Inc >\$200.00

BAN2	Meter Size	Average Monthly Usage	Average Current Bill	Average Proposed Bill	Average Monthly Bill Increase
9-13	2"	107.17	\$418.73	\$619.05	\$200.32
9-13	1"	166.08	\$698.64	\$904.44	\$205.79
9-13	2"	110.92	\$433.37	\$640.16	\$206.79
9-13	1"	106.25	\$358.54	\$565.48	\$206.93
9-13	1"	109.58	\$374.40	\$586.34	\$211.94
9-13	1"	116.92	\$414.83	\$627.63	\$212.81
16-18	1"	106.50	\$352.93	\$568.99	\$216.05
9-13	1"	116.58	\$406.85	\$625.75	\$218.90
9-13	1"	114.83	\$396.74	\$615.90	\$219.16
9-13	2"	118.17	\$459.47	\$680.98	\$221.51
9-13	2"	143.58	\$574.15	\$824.07	\$249.93
9-13	1"	126.67	\$425.13	\$682.52	\$257.39
9-13	1"	157.75	\$579.45	\$857.52	\$278.07
16-18	1"	140.50	\$463.01	\$760.41	\$297.39
9-13	1"	147.42	\$497.91	\$799.35	\$301.44
9-13	2"	228.33	\$980.78	\$1,301.22	\$320.44
9-13	1"	180.58	\$660.78	\$986.07	\$325.29
9-13	1"	192.83	\$703.01	\$1,055.04	\$352.03
29	2"	279.08	\$976.09	\$1,586.94	\$610.85