



Camarillo City Council

Camarillo Sanitary District

AGENDA REPORT

Date: March 26, 2025

To: Honorable Mayor and City Councilmembers

From: Greg Ramirez, City Manager

Submitted by: Mark Uribe, Finance Director

Subject: FY 2024/25 Water and Sewer Rate Study – Authorize Notification of the May 14, 2025 Public Hearing to Discuss Water and Sewer Rates Pursuant to Proposition 218

BACKGROUND

The City has historically adjusted water and sewer rates on a two-year cycle. A comprehensive rate study is conducted to analyze the costs of providing water and sewer services to the community. The last rate study was completed in 2023, with rates effective January 1, 2024, and July 1, 2024.

The City retained an independent consultant, Raftelis Financial Consultants, Inc., to prepare a current comprehensive rate study. The study establishes water and sewer rates based on the cost of providing the service and incorporates the expected cost of the capital improvement plan, operating budgets, customer billing and water use data, and future growth and inflationary estimates for the study period. The results of the rate study have been discussed at five Utilities Committee (UC) meetings between November 2024 and February 2025.

At the City Council meetings on February 26, 2025 and March 12, 2025, staff presented City Council with a history of expenditures and future projections of expenditures in water and sewer. Staff also presented a high-level overview of how rates are determined, what factors affect rate changes, customer impacts of the proposed rates, comparisons to neighboring agencies' water and sewer rates, and an outline of the public engagement plan to inform customers of the rate changes.

Staff is proposing water rate increases effective July 1, 2025, to users of the City Water Enterprise (Water) and the Camarillo Sanitary District (CSD). Staff recommends changing

the two-year cycle of rate studies to a four-year cycle because a four-year cycle gives customers transparency in what to expect over a longer time horizon, and it shows potential bond agents that Water and CSD have a reliable revenue source to meet minimum debt coverage, should the City need to bond future capital projects. Adopting four-year rates sets the maximum rates the City and CSD can charge. If during the course of the four-year cycle it is determined that the maximum rates are not required, City Council/CSD Board may adopt rates that are lower than what is outlined in the four-year proposal.

DISCUSSION

This water and sewer rate study has been uniquely complex. The convergence of historic inflation, increasing supply costs, critical infrastructure projects, changes in customer water demands, and current and future debt service are all factors impacting the financial plan of both enterprises.

Since work began on this rate study in fall 2024, City staff has held five Utilities Committee meetings and presented at two City Council/CSD meetings. Staff has planned a robust public engagement plan to inform the community about the utility rates process and to educate interested community members of the need for rate increases. The engagement plan will include updates to the City's website, videos that explain the process, frequently asked questions, and in-person informational open houses where community members can ask experts questions one-on-one in an informal setting.

A public hearing is scheduled for May 14, 2025, and public noticing will commence in accordance with Proposition 218.

Proposition 218

In July 2006, the California Supreme Court ruled that utility rates like water and sewer are subject to Proposition 218. As a result, these fees may not be imposed or increased without a 45-day mailed notice of the proposed rate increase to all property owners and a majority protest proceeding.

In order to comply with Proposition 218, notices of the proposed rate increase will be mailed to all billing customers, as well as affected property owners within the City of Camarillo who are not utility billing customers (e.g., landlords). The notices will explain the rate proposal, the basis for the rates, why rate adjustments are necessary, and the method for protesting or objecting to the rate increase, as well as provide the day, time, and place of the Public Hearing.

Pursuant to Government Code Sections 6062a, 54354.5 and 66016 regarding Proposition 218 noticing requirements, the Public Hearing Notice and the Resolution will be published in the local newspaper.

Noticed rates represent the maximum fee or charge implementable each year. Future Councils/Boards will have the discretion to implement a rate lower than noticed as a matter of policy or if financially prudent. The City historically updates the financial needs of the Water Enterprise and CSD annually to monitor changing conditions and ensure that the rates noticed are still required. As part of this four-year proposal, that practice would continue.

FISCAL IMPACT

The cost of printing and mailing the Proposition 218 notices is estimated at \$38,000. Funds are budgeted in the Water and Sanitary District enterprise funds to cover this cost.

RECOMMENDATION

Authorize notification of the May 14, 2025 Public Hearing to discuss water and sewer rates pursuant to Proposition 218.

ATTACHMENTS

1. Draft Water Rate Study
2. Draft CSD Sewer Rate Study

REFERENCE MATERIALS – AVAILABLE FOR REVIEW AT CITY HALL

None