

# City of Camarillo

## Water Rate Study

Draft Report / March 20, 2025

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March 20, 2025

Mark Uribe  
Director of Finance  
City of Camarillo  
601 Carmen Drive  
Camarillo, CA 93010

Subject: Water Rate Study Report

Dear Mr. Uribe,

Raftelis is pleased to provide this Water Rate Study Report (Report) for the City of Camarillo (City). This Report includes a ten-year financial plan for fiscal year (FY) 2025 through FY 2034 and four years of corresponding rates for implementation beginning July 1, 2025.

The objectives of the Rate Study include:

1. Development of a financial plan and proposed revenue adjustments to ensure financial sufficiency, reserves funding at adopted levels, and funding for future capital improvements;
2. Calculation of updated water rates based on the existing rate schedule and structure
3. Recommend rates for adoption on July 1 of each year from July 1, 2025 through July 1, 2028

It has been a pleasure working with you, and we thank the City of Camarillo's Finance Department and Public Works staff, as well as the Utilities Committee, for the support provided during this Study.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Kostiuk', with a horizontal line extending to the right.

Kevin Kostiuk  
Senior Manager

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# 1. Executive Summary

The City of Camarillo's Water Enterprise (also referred to as the water utility) has evolved significantly over the years to meet the growing demands of its community. Historically, the city has sourced its water from a combination of local groundwater wells and imported supplies. A portion of water supply is purchased from the State Water Project via the Calleguas Municipal Water District (CMWD or Calleguas), with groundwater produced from four local wells satisfying the remaining supply requirement for customer water use.

In response to challenges such as multiple multi-year droughts and the need for sustainable groundwater management, the City of Camarillo initiated the North Pleasant Valley Desalter Project (Desalter). Desalter construction began in September 2019 and commenced operations in November 2021. After extensive testing the project started delivering potable water to the community in January 2023. The facility treats brackish groundwater, thereby increasing the city's local water supply. This project underscores the city's commitment to enhancing self-reliance of water supply and ensuring long-term sustainability for its residents.

The City continues its mission toward water self-reliance as it develops the Charter Oak Pump Stations numbers 1 and 2; and adds two new production wells to the City supply from the future Well E and Well F. Investment in this new infrastructure will minimize the City's reliance on the most expensive source of supply, purchases imported water. The Water Enterprise capital improvement program (CIP) aims to complete the pump stations and Well E projects in calendar year 2028 and Well F in calendar year 2030. Investment in these supply specific projects will yield operating costs savings after completion while increasing the City's control of water supply.

## Study Background

The 2025 Study encompasses a ten-year financial planning horizon with rates proposed for Fiscal Year (FY<sup>1</sup>) 2026, (implemented on July 1, 2025) through FY 2029. Each of the four years proposes rate changes on July 1 of each year. Raftelis conducted the last Water Rate Study in 2023, which resulted in adopted rates implemented January 1, 2024 and again on July 1, 2024. Raftelis conducted a Cost of Service Analysis in 2021, which resulted in the existing cost allocations and current rate structures. The rates herein adjust rates based on the existing schedule and structure of rates relying on the existing cost of service.

The financial plan incorporates updated escalation assumptions, estimates, and projections based on the most recent financial information, system information, and customer data available. The Study estimates baseline water production of approximately 7,200 acre-feet (AF) in FY 2025. Water demands per capita are estimated to remain steady through FY 2029 with modest changes to total supply and demand based on new connection to the water system. New water connections are projected at 0.5 percent per year through FY 2029. Water source of supply assumptions have been updated to incorporate the short-term increase in imported water costs, temporarily reduced groundwater production, and the addition of the City's Regional Desalter at full operational capacity.

The objectives of the 2025 Rate Study include:

1. Development of a financial plan and proposed revenue adjustments to ensure financial sufficiency, reserves funding at adopted levels, and funding for future capital improvements;
2. Calculation of updated water rates based on the existing rate schedule and structure
3. Recommend rates for adoption on July 1 of each year from July 1, 2025 through July 1, 2028

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<sup>1</sup> The fiscal year begins on July 1 and ends on June 30 of the corresponding year.

## Legal Framework<sup>2</sup>

The rate-making process for water agencies in California begins with a review of the legal requirements and framework currently in place. The primary legal requirement is Article XIII D, Section 6 of the California Constitution, commonly referred to as Proposition 218, which is an initiative that amended the State Constitution.

### California Constitution – Article XIII D, Section 6 (Proposition 218)

Proposition 218 was enacted by voters in 1996 to ensure, in part, that fees and charges imposed for ongoing delivery of a service to a property ("property-related fees and charges") are proportional to, and do not exceed, the cost of providing service. Water service fees and charges are property-related and subject to the provisions of Proposition 218. The principal requirements, as they relate to public water service fees and charges, are as follows:

1. Revenues derived from a property-related charge imposed by a public agency shall not exceed the costs required to provide the property-related service.
2. Revenues derived by the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
3. The amount of the fee or charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property.
5. A written notice of the proposed fee or charge shall be mailed to the record owner of each parcel not less than 45 days prior to a public hearing when the agency considers all written protests against the charge.

As stated in the American Water Works Association's Manual of Water Supply Practices M1, *Principles of Water Rates, Fees, and Charges, Seventh Edition* (M1 Manual), "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Proposition 218 requires that water rates cannot be arbitrary meaning that the rate-setting methodology must establish a clear nexus between costs and the rates charged. Raftelis follows these industry standard rate setting methodologies to recover costs proportionally through cost-justified rates.

## Process and Approach

The process and approach Raftelis utilized in the Study is informed by the City's policy objectives, the current water system and rates, and the legal requirements in California (namely, Proposition 218). The resulting rate design process considers all these factors and follows four key steps, outlined below, to derive proposed rates that fulfill the City's policy objectives, meet industry standards, and align with Proposition 218.

### Step 1: Revenue Requirement Calculation

The rate-making process begins by determining the revenue requirement for the base year, also known as the rate-setting year. The base year for this Study is FY 2025 (July 1, 2024 to June 30, 2025). The revenue requirement should sufficiently fund the utility's operation and maintenance (O&M) costs, annual debt service, capital project expenses, and reserve funding as projected in the City's budgets.

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<sup>2</sup> Raftelis does not practice law nor does it provide legal advice. The above discussion provides a general overview of Raftelis' understanding as rate practitioners and is labeled "legal framework" for literary convenience only. The City should consult with its legal counsel for clarification and/or specific guidance.

## Step 2: Cost of Service Analysis

The annual cost of providing water service is distributed among customer classes commensurate with their service requirements. A COS analysis involves the following:

1. Functionalize costs: Examples of functions are supply, storage, treatment, and distribution among others.
2. Allocate functionalized costs to water system cost causation components: Cost components include supply costs, base delivery costs, extra-capacity (peaking) costs, and meter costs among others.
3. Distribute the cost components: Using unit costs, the cost causation components are distributed to, and recovered from, customer classes in proportion to their burden on the water system.

## Step 3: Rate Design and Calculation

After allocating the revenue requirement to each water system component and corresponding customer classes, the rate design and calculation process can begin. Rates do more than simply recover costs; within the legal framework and industry standards, properly designed rates should support the City's policy objectives while adhering to cost of service principles. Rates are not only a financial instrument but act as a public information tool in communicating policy objectives to customers. The rate design process also includes a rate impact analysis for all customer classes and a sample customer bill impact analysis.

## Step 4: Administrative Record Preparation and Rate Adoption

The final step in a rate study is to develop the administrative record in preparation for the rate adoption process. The administrative record, also known as the study report, documents the rate study results and presents the methodologies, rationale, cost justifications, and calculations utilized to derive the proposed rates. A thorough and methodical administrative record serves two important functions: maintaining defensibility in a litigious environment and communicating the rate adoption process to customers and important stakeholders.

## Factors Affecting Revenue Adjustments

The following items affect the City's Water Enterprise revenue requirement (i.e., costs) and thus its water rates. The City's costs include operating and maintenance (O&M) expenses, capital expenses (CIP), debt service, and reserve funding.

1. Increased Operations and Maintenance Costs: Some of the main factors in cost increases since the 2023 Study are seen in the City's O&M budget. Specifically, the price of chemicals used for water treatment and the cost of electricity have increased well above the standard rate of inflation in the past few years. Extraordinary inflation has impacted public utilities in a similar manner as household budgets. Inflation reduces purchasing power, reduces projected year end cash balances and affects borrowing capacity when exploring financing for capital projects.
2. Water supply costs: The City has incurred materially higher water supply costs than budgeted and planned for in the 2023 rate study. The cost of purchased water continues to rise, production wells have been down for maintenance for longer than anticipated, and the Desalter remains on 24-hour staffing due to regulatory requirement. Together, these impacts cause switching from the lowest cost source of supply (local groundwater) to the most expensive source of supply (purchased water from Calleguas). This has resulted in additional unplanned purchases of more costly imported water.
3. Related to the changes in recent water supply are the projections on future cost offset from Metropolitan Water District of Southern California (MWD) local resource program (LRP). The program provides incentive to construct local water supply augmentation projects, like the Desalter. While the City will continue to receive a credit on each acre-foot (AF) of water produced, the projections on total LRP cost recovery over time has been revised downward significantly. This is due to the relationship between the cost of production between the Desalter and the cost per AF of water from MWD via Calleguas. The change in the LRP credit amounts to a \$3.1M decrease in revenue over the long-term.

4. Reduced water sales: Water demands were historically low in 2023 due to record winter precipitation followed by an abnormally cool spring. Demands rebounded only modestly in FY 2024 in part due to an additional wet winter experienced across California. Because of four consecutive abnormal hydrology years, and incorporating recent depressed demand years into long-term trends, the City anticipates new baseline water production at 7,200 acre-feet per year (AFY). This is in comparison to the 2023 rate study that estimated baseline at approximately 7,800 AFY. Since two-thirds of rate revenues are from variable water use rates, changes in demand have a disproportionate impact on revenues.
5. Capital Improvement Program (CIP): The City has approximately \$43 million in capital improvement program (CIP) expenditures programmed over the next five years and \$71 million estimated over the next 10 years. Major projects include two new groundwater production wells (Well E and F), pump station projects in order to serve more local supply to specific portions of the service area, and meter replacement with Advanced Metering Infrastructure (AMI). When completed, the two new wells will further offset more expensive imported water and reduce operating costs. Sufficient debt capacity is required to partially fund capital projects and minimize future rate increases.
6. Reserve Funding: The City has reserve policies for the water fund to meet working capital needs, ensure adequate funding of the capital repair and replacement (R&R) program, mitigate impacts from asset failure during an emergency, and protect ratepayers from rate spikes. The City's Water Enterprise is currently in an operating deficit for the reasons described above.

## Financial Plan

**Figure 1-1** shows debt coverage and proposed revenue adjustments over the study period. The proposed financial plan includes a 24 percent revenue adjustment on July 1, 2025 (FY 2026), an 18 percent adjustment in FY 2027, a 12 percent adjustment in FY 2028, then- four percent adjustments in FY 2029 through FY 2033 and a three percent adjustment in FY 2034. These adjustments adequately fund all projected operating expenses, debt coverage requirements, and achieve reserve policy targets. The financial plan will utilize existing reserves, future proposed bond proceeds, and up to a \$15 million dollar loan from the City's General Fund to finance the long-term capital improvement program (CIP). Calculated debt coverage (dark blue line) remains well above the debt coverage minimum (grey line).

**Figure 1-1: Water Revenue Adjustments and Debt Coverage**

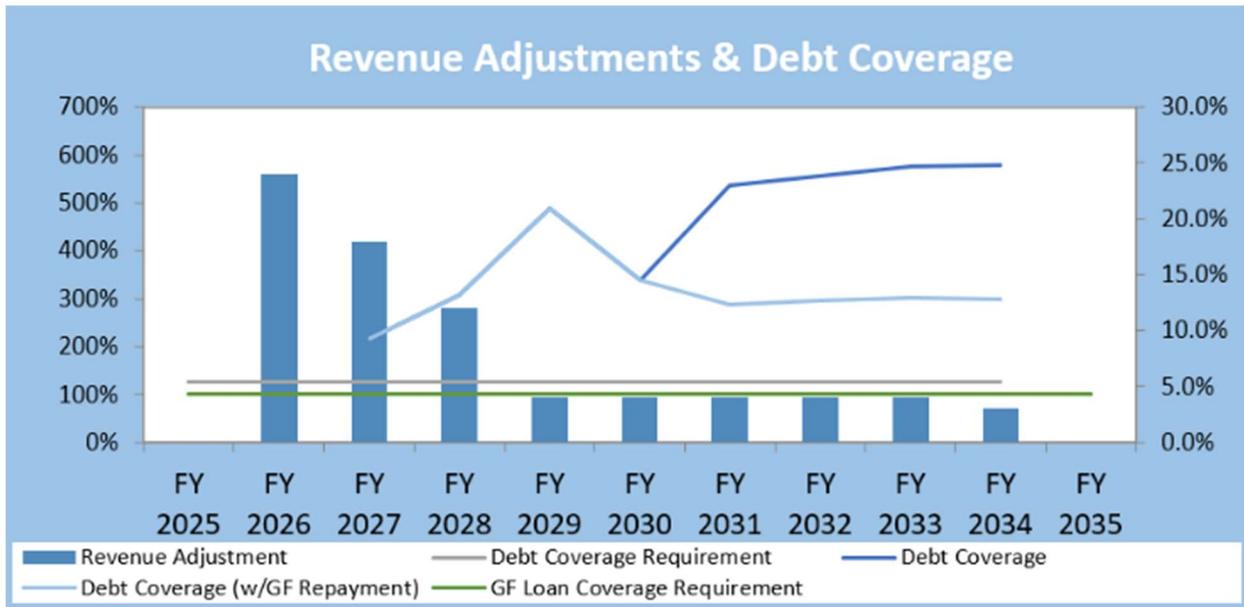


Figure 1-2 illustrates the operating financial plan including proposed rate increases for FY 2026 through FY 2029; and projected increased through FY 2034. Note that water purchase costs have been highlighted with orange bars to show the decrease over time of imported water purchases and to distinguish from other operating costs. Revenues from proposed rates are sufficient to recover O&M costs (including water supply) and debt service while sufficiently funding reserves that will be drawn by the City to partially fund the Water Enterprise’s future CIP needs.

**Figure 1-2: Water Operating Financial Plan**

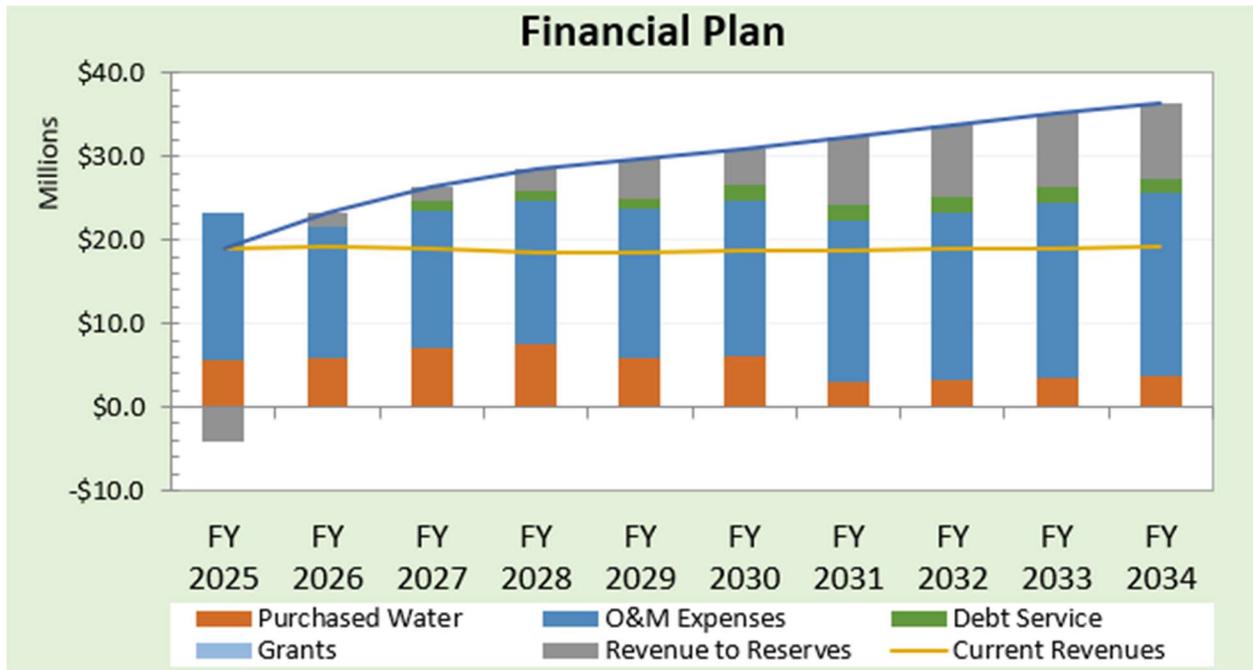


Figure 1-3 shows ending reserve balances (green bars) and targeted balances (green line) over the planning horizon. Ending reserve balances fall below the adopted policies in the middle years of the plan but recover to achieve the target balance in

FY 2032. The projected ending balance includes both the proceeds from, and the repayment in later years of, the General Fund loan. If cash reserves in FY 2033 are in fact above the policy target, the Water Enterprise will have the ability to repay the General Fund loan in full, execute additional capital projects, or some combination of the two.

**Figure 1-3: Estimated Ending Cash Balances**

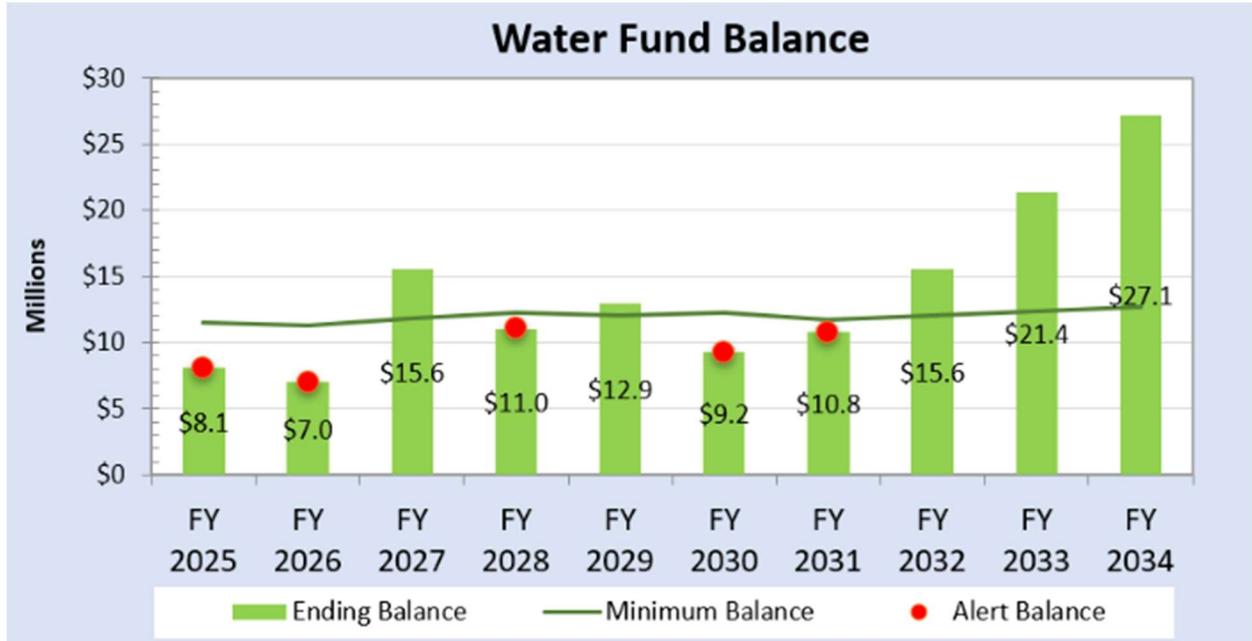
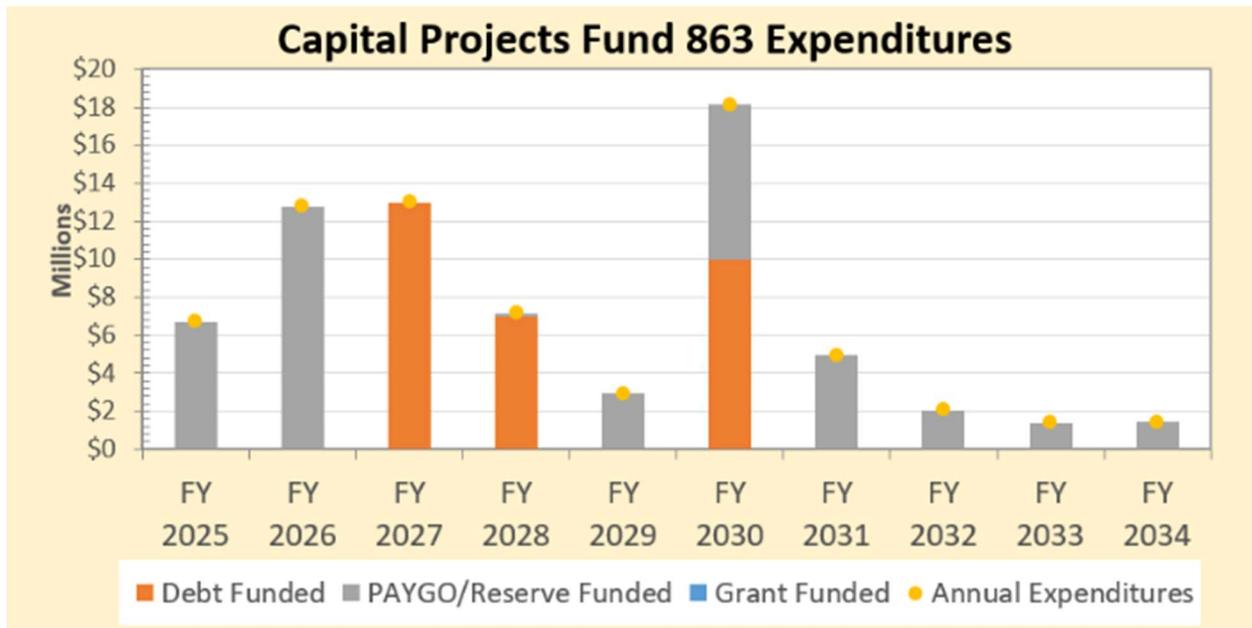


Figure 1-4 shows the Water Enterprise’s planned CIP in FY 2025 through FY 2034. All or portions of CIP in FY 2027 through FY 2030 are anticipated to be funded by revenue bonds (orange bars). Bond sales assume two separate issues: \$20 M in FY 2027 and \$10 M in FY 2030. All other CIP is projected to be funded by cash reserves (grey bars).

**Figure 1-4: Water Capital Improvement Program Expenditures and Funding Source**



## Proposed Water Rates

Table 1-1 shows the current and proposed monthly service charge at each meter size. The rate schedule applies to both potable and recycled water service. Proposed rates are rounded up to the nearest cent.

**Table 1-1: Proposed Monthly Service Charges**

Meter Size	Current Rates	Proposed (July 1, 2025)	Proposed (July 1, 2026)	Proposed (July 1, 2027)	Proposed (July 1, 2028)
5/8"/3/4"	\$26.19	\$32.48	\$38.33	\$42.93	\$44.65
1"	\$34.94	\$43.33	\$51.13	\$57.27	\$59.57
1 1/2"	\$56.84	\$70.49	\$83.18	\$93.17	\$96.90
2"	\$83.12	\$103.07	\$121.63	\$136.23	\$141.68
3"	\$166.33	\$206.25	\$243.38	\$272.59	\$283.50
4"	\$288.95	\$358.30	\$422.80	\$473.54	\$492.49
6"	\$626.20	\$776.49	\$916.26	\$1,026.22	\$1,067.27
8"	\$1,064.16	\$1,319.56	\$1,557.09	\$1,743.95	\$1,813.71
Fire Hydrant	\$166.33	\$206.25	\$243.38	\$272.59	\$283.50

Table 1-2 shows the commodity rates by customer class and tier. Commodity rates are charged for each unit of water expressed in hundred cubic feet (HCF) of water. One HCF is equal to 748 gallons. The proposed rates are rounded up to the nearest cent.

**Table 1-2: Proposed Commodity Charges**

Customer Class	Current Rates	Proposed (July 1, 2025)	Proposed (July 1, 2026)	Proposed (July 1, 2027)	Proposed (July 1, 2028)
<b>Residential</b>					
Tier 1	\$2.66	\$3.30	\$3.90	\$4.37	\$4.55
Tier 2	\$3.94	\$4.89	\$5.78	\$6.48	\$6.74
Tier 3	\$5.34	\$6.63	\$7.83	\$8.77	\$9.13
<b>Uniform Classes</b>					
Commercial	\$3.35	\$4.16	\$4.91	\$5.50	\$5.72
Industrial	\$3.35	\$4.16	\$4.91	\$5.50	\$5.72
Governmental	\$3.35	\$4.16	\$4.91	\$5.50	\$5.72
Landscape	\$5.92	\$7.35	\$8.68	\$9.73	\$10.12
Agriculture	\$5.92	\$7.35	\$8.68	\$9.73	\$10.12
Construction / FHM	\$5.92	\$7.35	\$8.68	\$9.73	\$10.12
Recycled Water	\$3.55	\$4.41	\$5.21	\$5.84	\$6.08

## Proposed Airport System Water Rates

Table 1-3 shows the proposed monthly service charge and commodity rate for the airport service area acquired by the City in 2005 (City Council Agreement 2005-54). Rates are based on an agreement the City and airport customers made during the airport system acquisition. Current airport customer rates are shown in Column B. The rates for the current and proposed-monthly service charges are calculated based on the meter size, and the commodity rate is charged for each HCF of water. The proposed rates are rounded up to the nearest cent.

**Table 1-3: Proposed Airport Rates**

<b>Meter Size</b>	<b>Current Rates</b>	<b>Proposed (July 1, 2025)</b>	<b>Proposed (July 1, 2026)</b>	<b>Proposed (July 1, 2027)</b>	<b>Proposed (July 1, 2028)</b>
<b>Proposed Fixed Charges</b>					
5/8"/3/4"	\$26.19	\$32.48	\$38.33	\$42.93	\$44.65
1"	\$34.94	\$43.33	\$51.13	\$57.27	\$59.57
1 1/2"	\$59.48	\$73.76	\$87.04	\$97.49	\$101.39
2"	\$99.38	\$123.24	\$145.43	\$162.89	\$169.41
3"	\$221.82	\$275.06	\$324.58	\$363.53	\$378.08
4"	\$500.76	\$620.95	\$732.73	\$820.66	\$853.49
6"	\$1,099.68	\$1,363.61	\$1,609.06	\$1,802.15	\$1,874.24
8"	\$1,868.79 <sup>3</sup>	\$2,317.30	\$2,734.42	\$3,062.56	\$3,185.07
Fire Hydrants	\$245.48	\$304.40	\$359.20	\$402.31	\$418.41
<b>Proposed Volumetric Charges</b>					
Commercial	\$5.85	\$6.66	\$7.41	\$8.00	\$8.22
Industrial	\$5.85	\$6.66	\$7.41	\$8.00	\$8.22
Governmental	\$5.85	\$6.66	\$7.41	\$8.00	\$8.22
Landscape	\$6.31	\$7.74	\$9.07	\$10.12	\$10.51
Agriculture	\$7.44	\$8.87	\$10.20	\$11.25	\$11.64
Construction / FHM	\$9.56	\$10.99	\$12.32	\$13.37	\$13.76

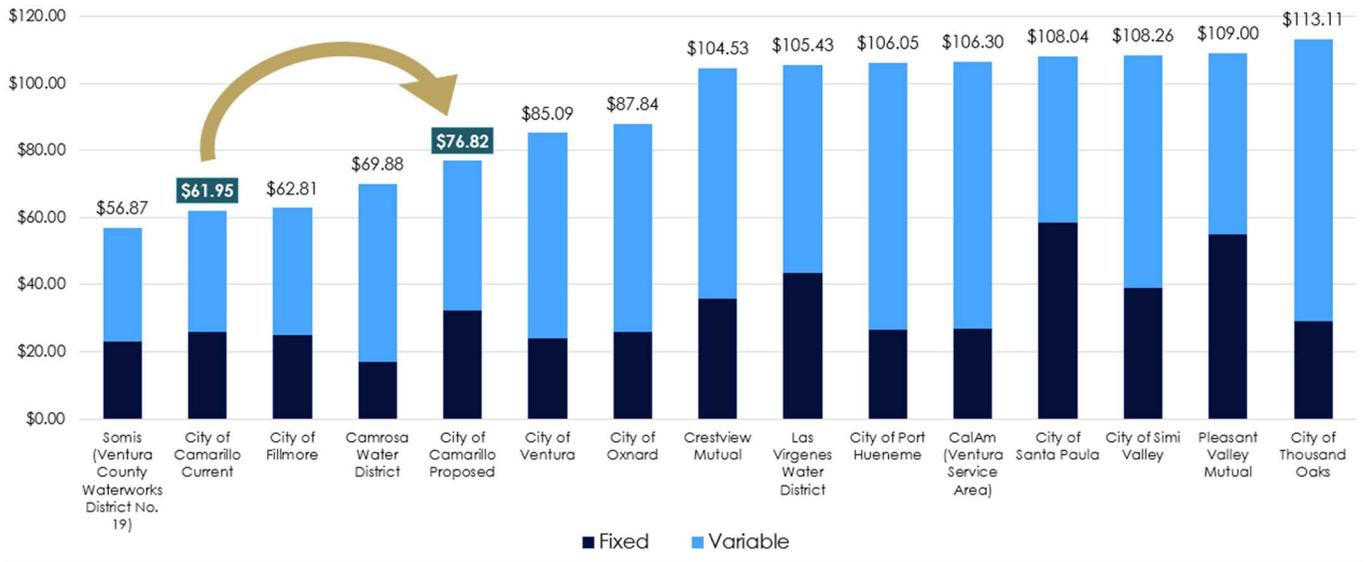
<sup>3</sup> Rate calculated based on the existing rate schedule but not currently in effect. 8" meter charges will be scheduled on the notice to customers provided to airport users.

# Rate Survey

Figure 1-5 shows a water bill comparison at current and proposed rates. The survey compares the bill of a Single Family Residential customer using 12 HCF of water per month, and assumes a 3/4" metered connection. The survey compares estimated bills at July 1, 2025, which includes the proposed 24 percent revenue increase for City water rates. The comparison breaks down variable and fixed charges for each agency, as appropriate.

While a useful benchmark, it is worth noting that such comparisons only paint a partial picture since many factors, such as age and replacement of infrastructure, service area characteristics, sources of water supply, non-rate revenue sources, and other local conditions affect the total cost of providing water services.

**Figure 1-5: Water Bill Comparison for Neighboring Water Services (FY 2025-2026)**

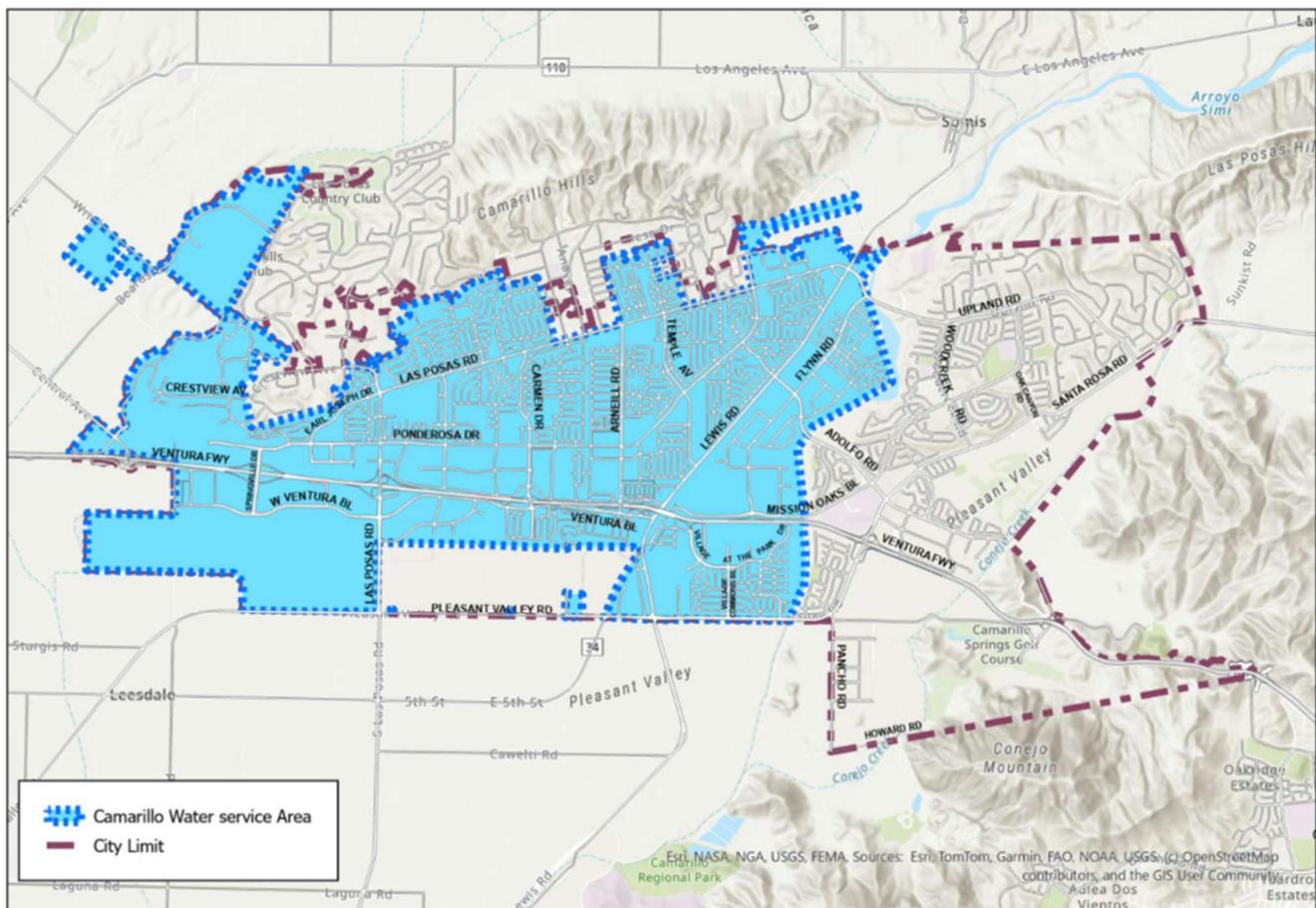


# 2. Introduction

## Study Background

The City of Camarillo (City) provides potable and recycled water to most City residents<sup>4</sup> as well as portions of unincorporated areas of Ventura County through its Water Division of the Public Works Department, as shown in **Figure 2-1** below. The City provides potable water service to approximately 14,000 residential, commercial, industrial, and public facilities connections within approximately 11 square miles (7,033 acres) of residential, agricultural, commercial, and industrial lands. The Camarillo City Council guides policy decisions for the City's Water Enterprise. The City's water supplies include groundwater from the Pleasant Valley Groundwater Basin, imported water purchases from Calleguas Municipal Water City (Calleguas), and the City's North Pleasant Valley Groundwater Desalter Treatment Plant (Desalter), which began operations in 2023. The City also produces recycled water at the Camarillo Sanitary District's (CSD) Water Reclamation Plant (WRP), which is served to a subset of irrigation customers on a separate recycled water distribution system. The Water Division's mission is to deliver a dependable supply of water to meet customers' present and future needs through cost-effective management and maintenance of water infrastructure while incorporating environmental and regulatory requirements. A detailed map of the City Water service area is provided in **Figure 2-1**.

**Figure 2-1: Camarillo Water Service Area**



<sup>4</sup> A portion of Camarillo City residents are beyond the City water utility service area and are provided water service by neighboring water utilities.

The 2025 Study encompasses a ten-year financial planning horizon with rates proposed for Fiscal Year (FY<sup>5</sup>) 2026, (implemented on July 1, 2025) through FY 2029. Each of the four years proposes rate changes on July 1 of each year. Raftelis conducted the last Water Rate Study in 2023, which resulted in adopted rates implemented January 1, 2024 and again on July 1, 2024. Raftelis conducted a Cost of Service Analysis in 2021, which resulted in the existing cost allocations and current rate structures. The rates herein adjust rates based on the existing schedule and structure of rates relying on the existing cost of service.

The financial plan incorporates updated escalation assumptions, estimates, and projections based on the most recent financial information, system information, and customer data available. The Study estimates baseline water production of approximately 7,200 acre-feet (AF) in FY 2025. Water demands per capita are estimated to remain steady through FY 2029 with modest changes to total supply and demand based on new connection to the water system. New water connections are projected at 0.5 percent per year through FY 2029. Water source of supply assumptions have been updated to incorporate the short-term increase in imported water costs, temporarily reduced groundwater production, and the addition of the City's Regional Desalter at full operational capacity.

The objectives of the 2025 Rate Study include:

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<sup>5</sup> The fiscal year begins on July 1 and ends on June 30 of the corresponding year.

# 3. Key Inputs and Assumptions

## Key Information Used in this Study

Raftelis developed a water rate model in Microsoft Excel to forecast financial calculations over a planning period from FY 2025 (current year) through FY 2034. Projections were generally made based on actual data for FY 2024 and/or budgetary information for FY 2025. Underlying model assumptions including cost escalation factors, new connection growth rates, etc. were discussed with, and reviewed by, City Finance staff, Public Works staff, and the Utilities Committee, to ensure that the City water system's unique characteristics are accurately accounted for.

The Study utilized the following critical information provided by the City:

1. FY 2024 actual revenues and expenses
2. FY 2025 adopted budgeted
3. FY 2024 water use and customer account data (detailed billing data)
4. Water source of supply production volumes and unit cost estimates
5. FY 2025 beginning cash balances (July 1, 2024)
6. 10-year adopted CIP schedule and project timing

Refinements to model inputs and policy direction was provided during a series of meetings with City staff and Utilities Committee workshops in calendar years 2024 and 2025.

## Current Rates

Raftelis assisted the City in developing the current rate structure during the 2021 rate study. The City's water rates last increased in July 2024. The existing rate structure consists of:

**Monthly Fixed Service charges**, by meter size which recovers costs of customer service and billing, meter servicing and maintenance, and a share of capacity-related costs

**Monthly Consumption-based charges**, by class and tier which recovers the costs of water supply, delivery, a share of capacity-related costs, and other costs not recovered from fixed charges. The consumption-based rates further consist of:

- » Tiered water use rates per HCF<sup>6</sup> of water usage for residential customer classes
- » Uniform water use rates per HCF of water usage for commercial, industrial, and governmental (CIG), landscape irrigation, agricultural, and recycled water customer classes

**Table 3-1** shows the City's current monthly charges by meter size for all customers<sup>7</sup>.

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<sup>6</sup> One HCF of water is equal to 748 gallons.

<sup>7</sup> Airport customer rates reflect an agreement in place at the time the City Water Enterprise acquired the Airport system

**Table 3-1: FY 2025 Meter Service Charges (\$/month)**

Meter Size	City
5/8"/3/4"	\$26.19
1"	\$34.94
1 1/2"	\$56.84
2"	\$83.12
3"	\$166.33
4"	\$288.95
6"	\$626.20
8"	\$1,064.16
Fire Hydrant	\$166.33

**Table 3-2** shows the City's commodity charges for FY 2025, based on customer class and tier. The Residential class includes both Single Family Residential (SFR) and Multi-Family Residential (MFR) customers. Monthly tiers for MFR customers are calculated based on the number of dwelling units served by the water meter.

**Table 3-2: FY 2025 Commodity Charges (\$/HCF)**

Class	Tier	Tier Definition	\$/HCF
Residential	Tier 1	9	\$2.66
	Tier 2	15	\$3.94
	Tier 3	>15	\$5.34
Commercial	Uniform	N/A	\$3.35
Industrial	Uniform	N/A	\$3.35
Governmental	Uniform	N/A	\$3.35
Landscape	Uniform	N/A	\$5.92
Agriculture	Uniform	N/A	\$5.92
Construction / FHM	Uniform	N/A	\$5.92
Recycled Water	Uniform	N/A	\$3.55

### Escalation Factors

The study's inflationary estimates are shown in **Table 3-3**. As part of the Study, Raftelis and City Staff have updated assumptions and inputs into the financial plan to reflect the best available information at the time of the study. Each individual expense within the operating budget is assigned the most applicable inflationary escalation factor. Escalation is projected from the FY 2025 budget. Energy inflation at 5 percent reflects long-term trends of power costs from the City's electric utility provider. The general inflation factor is 3 percent, reflecting long-term historical averages of the Consumer Price Index (CPI). The capital inflation factor aligns with the long-term average increase in the Engineering News-Record (ENR) Construction Cost Index (CCI). Water supply increases are based on historical increases by Metropolitan Water City (MWD) of Southern California and the City's intermediary wholesaler Calleguas. Salaries and Benefits reflect the City's expectation on increases to personnel costs. Other operating revenues escalation reflects interest earnings expectations on cash reserves. The FY 2025 column shows N/A as the adopted budgets are utilized in that year.

**Table 3-3: Water Inflationary Assumptions**

Inflation Factors	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Inflation	N/A	3%	3%	3%	3%
Salary	N/A	9%	9%	9%	9%
Benefits	N/A	9%	9%	9%	9%
Water Supply	N/A	5%	5%	5%	5%
Energy	N/A	5%	5%	5%	5%
Non-inflated	N/A	0%	0%	0%	0%
Capital	N/A	4%	4%	4%	4%
Other Revenues	N/A	2%	2%	2%	2%

**Projected Connection Growth and Water Demand**

**Table 3-4** shows the estimated connection growth and water sales for the Study period. The current year estimates water sales (i.e., demand) of 6,900 AF, which is a roughly eight percent increase over prior year. Estimates for long-term customer water demand during normal conditions have been revised from approximately 7,650 acre-feet per year (AFY) in the previous study to approximately 6,900 AFY. Raftelis and the City anticipate demand will continue to remain fairly consistent due to the long-term water use reduction goals the City has set in the 2020 Urban Water Management Plan (UWMP), behavioral changes, increased efficiencies, and additional landscape area changes that began during the most recent drought. City Staff project new connection growth of 0.5 percent per year for FY 2025 through FY 2029. Water use, shown both in HCF per year and AF per year, is a combination of any demand factor change and additional connection growth.

**Table 3-4: Water Connection Growth and Water Demand**

Water Use	Budgeted	Projected	Projected	Projected	Projected
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Account Growth	0.5%	0.5%	0.5%	0.5%	0.5%
Water Demand Factor	108%	100%	100%	100%	100%
Water Use (HCF)	3,006,152	3,021,183	3,036,289	3,051,470	3,066,728
Water Use (AF)	6,901	6,936	6,970	7,005	7,040

**Table 3-5** shows the projected number of water connections, by meter size and fiscal year. The number of connections is escalated each year based on the new connection assumptions identified in **Table 3-4**.

**Table 3-5: Projected Water Connections by Meter Size**

Meter Size	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Actual	Projected	Projected	Projected	Projected
5/8"/3/4"	11,200	11,256	11,312	11,369	11,425
1"	715	718	722	725	729
1 1/2"	5	5	5	5	5
2"	4	4	4	4	4
3"	0	0	0	0	0
4"	0	0	0	0	0
6"	0	0	0	0	0
8"	0	0	0	0	0
<b>Total</b>	<b>11,923</b>	<b>11,983</b>	<b>12,043</b>	<b>12,103</b>	<b>12,164</b>

**Table 3-6** shows the projected water use by customer class, tier, and fiscal year. Future water demand projections change based on the water demand factor assumptions identified in **Table 3-4**.

**Table 3-6: Projected Water Demand by Customer Class**

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Description	Budgeted	Projected	Projected	Projected	Projected
SFR	1,548,076	1,555,817	1,563,596	1,571,414	1,579,271
MFR & Mobile Homes	326,411	328,043	329,684	331,332	332,989
Duplex/Triplex	13,759	13,828	13,897	13,967	14,037
Senior	1,151	1,156	1,162	1,168	1,174
CIG	403,781	405,800	407,829	409,868	411,917
Landscape	599,742	602,741	605,755	608,783	611,827
Agriculture	66,570	66,903	67,237	67,573	67,911
Construction / FHM	13,715	13,784	13,853	13,922	13,991
Airport	32,947	33,112	33,278	33,444	33,611
<b>Total Demand (HCF)</b>	<b>3,006,152</b>	<b>3,021,183</b>	<b>3,036,289</b>	<b>3,051,470</b>	<b>3,066,728</b>
<b>Total Demand (AFY)</b>	<b>6,901 AF</b>	<b>6,936 AF</b>	<b>6,970 AF</b>	<b>7,005 AF</b>	<b>7,040 AF</b>

## Projected Sources of Supply

**Table 3-7** shows the projected production and purchase of water supplies to satisfy projected demands in **Table 3-4**. For potable water service, the City relies on water supply from three sources: local groundwater wells, imported water from Calleguas, and Desalter water. Current groundwater production is impacted by temporarily offline wells which limits groundwater supply. The Desalter began production in 2023 and can produce up to 3,800 AFY annually. Desalter production significantly reduces purchased water volumes (and costs) from Calleguas. In FY 2029 groundwater production is projected to increase significantly from the completion of Wells E as well as the addition of Charter Oak Pump Stations 1 and 2. In FY 2031 Well F comes online further increasing local supply. This will further reduce purchases of more expensive imported water. All values shown in the table are in acre-feet (AF)<sup>8</sup>.

<sup>8</sup> One AF equals 435.6 HCF or 325,851 gallons of water

**Table 3-7: Projected Sources of Supply, AFY**

Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Estimated	Projected	Projected	Projected	Projected
Groundwater Production (AF)	913	925	925	925	1,900
<i>Subject to FCGMA<sup>9</sup></i>	913	925	925	925	1,900
<i>Subject to UWCD<sup>10</sup></i>	175	175	175	175	400
Desalter Water (AF)	3,800	3,800	3,800	3,800	3,800
<i>Subject to FCGMA</i>	4,500	4,500	4,500	4,500	4,500
Imported Water (AF)	2,475	2,499	2,535	2,572	1,633
<b>Total Supply Requirement (AF)</b>	<b>7,188</b>	<b>7,224</b>	<b>7,260</b>	<b>7,297</b>	<b>7,333</b>

**Table 3-8** shows projected water supply costs by source in \$/AF. Water is supplied from three sources, however, each source may have more than one cost. For example, depending on the location of extraction, groundwater may pay only the FCGMA pump charge or both the FCGMA and UWCD pump charge. With direction from City staff, Raftelis has projected future years’ pumping charges and Calleguas volumetric rates. Desalter costs represent estimated gross operating and maintenance (O&M) costs of Desalter water production. Costs are higher in the first years due to additional staffing required at start-up. Over time, Desalter O&M costs are reduced in absolute dollars, before increasing at a rate of 3 percent per year. The Local Resource Program (LRP) credit to Desalter costs is included as a non-rate revenue source in the Financial Plan cash flow and offsets the Desalter water unit cost overall.

**Table 3-8: Projected Water Supply Unit Rates**

Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Estimated	Projected	Projected	Projected	Projected
<b>Groundwater Production</b>					
<i>Subject to FCGMA (October-March)</i>	\$55	\$57	\$58	\$60	\$62
<i>Subject to FCGMA (April-September)</i>	\$57	\$58	\$60	\$62	\$64
<i>Subject to UCWD</i>	\$313	\$322	\$332	\$342	\$352
Desalter	\$1,437	\$1,182	\$1,217	\$1,254	\$1,292
Calleguas \$/AF (Jul-Dec)	\$1,730	\$1,895	\$2,058	\$2,212	\$2,345
Calleguas \$/AF (Jan-Jun)	\$1,895	\$2,058	\$2,212	\$2,345	\$2,462

<sup>9</sup> FCGMA stands for Fox Canyon Groundwater Management Agency. The City’s Water Enterprise pays a pumping charge to FCGMA for every acre-foot extracted.

<sup>10</sup> UWCD stands for United Water Conservation District. The City’s Water Enterprise pays a pumping charge to UWCD for every acre-foot of water extracted within their management area.

Table 3-9 shows the projected water supply costs by source based on the projected unit rates (Table 3-8) and water demand

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Description	Estimated	Projected	Projected	Projected	Projected
<b>Groundwater Production</b>	\$105,679	\$109,526	\$112,812	\$116,196	\$260,096
<b>Desalter Water (Gross Value)</b>	\$5,707,365	\$4,746,565	\$4,888,962	\$5,035,631	\$5,186,700
<b>Calleguas</b>					
Capacity Reservation Charge (Fixed)	\$665,664	\$698,947	\$698,947	\$698,947	\$698,947
Readiness-to-Serve Charge (Fixed)	\$471,192	\$494,752	\$494,752	\$494,752	\$494,752
Purchased Water (Variable)	\$4,467,375	\$4,921,054	\$5,395,395	\$5,844,295	\$3,915,837
<b>Total Water Supply Costs</b>	<b>\$11,417,275</b>	<b>\$10,970,844</b>	<b>\$11,590,868</b>	<b>\$12,189,821</b>	<b>\$10,556,331</b>

by source (Table 3-7). Calleguas purchases include the volumetric (variable) costs and fixed costs for the Capacity Reservation Charge and Readiness to Service Charge.

**Table 3-9: Projected Water Supply Costs**

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Description	Estimated	Projected	Projected	Projected	Projected
<b>Groundwater Production</b>	\$105,679	\$109,526	\$112,812	\$116,196	\$260,096
<b>Desalter Water (Gross Value)</b>	\$5,707,365	\$4,746,565	\$4,888,962	\$5,035,631	\$5,186,700
<b>Calleguas</b>					
Capacity Reservation Charge (Fixed)	\$665,664	\$698,947	\$698,947	\$698,947	\$698,947
Readiness-to-Serve Charge (Fixed)	\$471,192	\$494,752	\$494,752	\$494,752	\$494,752
Purchased Water (Variable)	\$4,467,375	\$4,921,054	\$5,395,395	\$5,844,295	\$3,915,837
<b>Total Water Supply Costs</b>	<b>\$11,417,275</b>	<b>\$10,970,844</b>	<b>\$11,590,868</b>	<b>\$12,189,821</b>	<b>\$10,556,331</b>

Table 3-10 shows the non-rate revenue the City receives for Desalter water production. The credit is payment per unit of Desalter water produced and the rate (\$/AF) of the credit declines over time. The LRP credit benefits desalter water customers by offsetting the Desalter water production costs.

**Table 3-10: Projected LRP Desalter Credit Calculation**

<b>LRP Credit</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Desalter Water Production	3,800 AF				
LRP Credit (\$/AF)	\$227	\$219	\$142	\$0	\$0
<b>LRP Credit Total</b>	<b>\$861,247</b>	<b>\$832,867</b>	<b>\$541,329</b>	<b>\$0</b>	<b>\$0</b>
Gross Desalter O&M Costs	\$5,808,719	\$4,850,601	\$5,002,049	\$5,158,575	\$5,320,378
<b>Net Desalter Supply Costs (Gross O&amp;M, less LRP)</b>	<b>\$4,947,472</b>	<b>\$4,017,734</b>	<b>\$4,460,720</b>	<b>\$5,158,575</b>	<b>\$5,320,378</b>

# 4. Financial Plan

This section of the Report details the assumptions used in projecting operating and capital expenses and reserve coverage requirements that determine the overall revenue adjustments required to ensure the financial stability of the City's Water Enterprise. Revenue adjustments represent the gross increase in total rate revenues and can be considered the average rate increase for City customers.

Numbers shown in the tables of this section are rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown in this report.

## Factors Affecting Revenue Adjustments

The following items affect the City's Water Enterprise revenue requirement (i.e., costs) and thus its water rates. The City's costs include operating and maintenance (O&M) expenses, capital expenses (CIP), debt service, and reserve funding.

1. **Increased Operations and Maintenance Costs:** Some of the main factors in cost increases since the 2023 Study are seen in the City's O&M budget. Specifically, the price of chemicals used for water treatment and the cost of electricity have increased well above the standard rate of inflation in the past few years. Extraordinary inflation has impacted public utilities in a similar manner as household budgets. Inflation reduces purchasing power, reduces projected year-end cash balances and affects borrowing capacity when exploring financing for capital projects.
2. **Water supply costs:** The City has incurred materially higher water supply costs than budgeted and planned for in the 2023 rate study. The cost of purchased water continues to rise, production wells have been down for maintenance for longer than anticipated, and the Desalter remains on 24-hour staffing due to regulatory requirement. Together, these impacts cause switching from the lowest cost source of supply (local groundwater) to the most expensive source of supply (purchased water from Calleguas). This has resulted in additional unplanned purchases of more costly imported water.
3. **Related to the changes in recent water supply are the projections on future cost offset from Metropolitan Water District of Southern California (MWD) local resource program (LRP).** The program provides incentive to construct local water supply augmentation projects, like the Desalter. While the City will continue to receive a credit on each acre-foot (AF) of water produced, the projections on total LRP cost recovery over time has been revised downward significantly. This is due to the relationship between the cost of production between the Desalter and the cost per AF of water from MWD via Calleguas. The change in the LRP credit amounts to a \$3.1M decrease in revenue over the long-term.
4. **Reduced water sales:** Water demands were historically low in 2023 due to record winter precipitation followed by an abnormally cool spring. Demands rebounded only modestly in FY 2024 in part due to an additional wet winter experienced across California. Because of four consecutive abnormal hydrology years, and incorporating recent depressed demand years into long-term trends, the City anticipates new baseline water production at 7,200 acre-feet per year (AFY). This is in comparison to the 2023 rate study that estimated baseline at approximately 7,800 AFY. Since two-thirds of rate revenues are from variable water use rates, changes in demand have a disproportionate impact on revenues.
5. **Capital Improvement Program (CIP):** The City has approximately \$43 million in capital improvement program CIP expenditures programmed over the next five years and \$71 million estimated over the next 10 years. Major projects include two new groundwater production wells (Well E and F), pump station projects to serve more local supply to specific portions of the service area, and meter replacement with Advanced Metering Infrastructure (AMI). When completed, the two new wells will further offset more expensive imported water and reduce operating costs. Sufficient debt capacity is required to partially fund capital projects and minimize future rate increases.

6. Reserve Funding: The City has reserve policies for the water fund to meet working capital needs, ensure adequate funding of the capital repair and replacement (R&R) program, mitigate impacts from asset failure during an emergency, and protect ratepayers from rate spikes. The City’s Water Enterprise is currently in an operating deficit for the reasons described above.

## Water Enterprise Revenues

Error! Reference source not found. shows revenues from existing rates revenue and from non-rate sources. Rate revenues consist of monthly service charges that vary by meter size and volumetric charges for water use. Existing monthly service charges are shown in **Table 3-1**. Existing tiered commodity charges for residential customers and the uniform commodity charges by non-residential class are shown in **Table 3-2**. The volumetric component of a customer's water bill is calculated based on the number of units of water delivered to a property, measured in HCF, multiplied by the rates that vary by customer class and tier. Projected water use is shown in **Table 3-4**. The rates, multiplied by the amount of use in each respective tier, determine the volumetric component of a customer's bill, subject to the commodity charges. The utility also derives revenues from other non-rate sources. These revenues include miscellaneous charges, fines and assessments, interest earnings on reserves, and other revenues. Currently, most revenues in the Other Revenues category consists of LRP credit revenue.

**Table 4-1: Projected Water Enterprise Revenues, Current Rates**

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Description	Estimated	Projected	Projected	Projected	Projected
<b>Revenues from Rates</b>					
Commodity Charges	\$11,975,030	\$12,033,655	\$12,092,573	\$12,151,786	\$12,211,295
Meter Service Charge	\$5,347,885	\$5,372,043	\$5,398,743	\$5,425,577	\$5,452,545
<b>Non-Rate Revenues</b>					
Charges for Services	\$384,045	\$391,726	\$399,560	\$407,552	\$415,703
Fines/Assessments	\$120,200	\$122,604	\$125,056	\$127,557	\$130,108
Investments	\$191,395	\$197,137	\$203,051	\$209,142	\$215,417
Other Revenues	\$975,065	\$950,100	\$662,079	\$124,372	\$128,103
<b>Total Revenues</b>	<b>\$18,993,619</b>	<b>\$23,244,632</b>	<b>\$26,227,415</b>	<b>\$28,443,990</b>	<b>\$29,603,669</b>

## Enterprise Operating Expenses

Error! Reference source not found. summarizes budgeted and projected O&M expenses for the City’s Water Enterprise. O&M expenses include the costs of operating and maintaining the water transmission, storage, and distribution facilities, as well as the costs of providing technical services such as laboratory services and other administrative costs of the water system like customer service and billing. Water supply costs, estimated in the previous section, are included as part of the overall O&M within the categories of Water- Source and Desalter Operations. The City’s FY 2025 operating budget is the basis for FY 2026 projections. The inflationary factors from **Table 3-3** are applied to the budgeted FY 2025 O&M to project future years; the exception are water supply cost estimates which rely on estimates of future demand, source of supply mix, and projected source costs. Over time, the combination of the Desalter and new groundwater Wells E & F will reduce the

City’s reliance on imported water and enhance water quality, which is reflected in a projected decrease to the O&M budget first in FY 2026 and again in FY 2029.

**Table 4-2: Projected Water O&M Expenses**

Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Budgeted	Projected	Projected	Projected	Projected
Finance – Customer Service	\$732,193	\$778,111	\$827,560	\$880,839	\$938,273
Administration	\$5,143,720	\$4,939,661	\$5,193,764	\$5,465,022	\$5,754,808
Water Resource Management	\$314,903	\$182,015	\$187,309	\$192,928	\$198,716
Meter Readers	\$1,743,559	\$1,336,816	\$1,376,921	\$1,418,229	\$1,460,775
Water - Source	\$5,710,855	\$5,882,181	\$7,139,132	\$7,604,533	\$5,833,484
Pumping	\$1,031,095	\$1,056,482	\$1,088,176	\$1,120,822	\$1,154,446
Treatment	\$385,927	\$397,505	\$409,430	\$421,713	\$434,364
Transmission & Distribution	\$1,813,431	\$1,750,989	\$1,803,519	\$1,857,624	\$1,913,353
Desalter Operations	\$5,808,719	\$4,850,601	\$5,002,049	\$5,158,575	\$5,320,378
Recycled Water Expenses	\$452,802	\$485,611	\$521,119	\$559,560	\$601,189
<b>Total O&amp;M</b>	<b>\$23,137,204</b>	<b>\$21,659,973</b>	<b>\$23,548,979</b>	<b>\$24,679,844</b>	<b>\$23,609,787</b>

## Capital Improvement Program

**Table 4-3** shows the Capital Improvement Program (CIP) detailed by project and year. The exact timing and costs of the long-term CIP will be revisited each year based on progress in planning, design, and construction. The City plans to conduct a Water Master Plan Study and anticipates an updated long-term CIP to be developed during this process. The adopted five-year, and projected 10-year, CIP (FY 2025-2034) is incorporated into the financial plan. As previously mentioned, the primary projects relate to water supply including Wells E and F and Charter Oak Pump Stations 1 and 2; as well as the AMI project and final capital projects at the Desalter site.

**Table 4-3: Water Enterprise Capital Improvement Plan**

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
<b>Project Description</b>	<b>Budgeted</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Advanced Metering Infrastructure	\$3,000,000	\$5,000,000	\$3,529,119	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Airport Well 3 Improvements	\$50,000	\$50,000	\$0	\$0	\$0	\$1,850,000	\$0	\$0	\$0	\$0
Beardsley Pump Station Rehabilitation	\$0	\$0	\$0	\$0	\$100,000	\$0	\$1,800,000	\$0	\$0	\$0
Camarillo Airport Water Main Improvements	\$0	\$500,000	\$0	\$0	\$0	\$4,500,000	\$0	\$0	\$0	\$0
Charter Oak Pump Station Nos. 1 & 2	\$182,433	\$500,000	\$2,000,000	\$2,000,000	\$0	\$0	\$0	\$0	\$0	\$0
North Pleasant Valley Groundwater Desalter	\$1,400,000	\$3,000,000	\$1,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reservoir Coatings	\$100,000	\$400,000	\$0	\$0	\$2,000,000	\$3,000,000	\$0	\$0	\$0	\$0
Reservoir No. 1 Valve Retrofit	\$0	\$100,000	\$0	\$0	\$0	\$0	\$0	\$550,000	\$0	\$0
Spanish Hills Pump Station Retrofit	\$0	\$0	\$0	\$0	\$400,000	\$500,000	\$1,100,000	\$0	\$0	\$0
Water System Generator Replacements	\$200,000	\$100,000	\$900,000	\$700,000	\$0	\$0	\$0	\$0	\$0	\$0
Water Valve Replacements Phase 1	\$0	\$80,000	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Water Valve Replacements Phase 2	\$0	\$0	\$80,000	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0
Well E	\$1,000,000	\$2,270,000	\$3,500,000	\$3,150,000	\$0	\$0	\$0	\$0	\$0	\$0
Well F	\$0	\$300,000	\$0	\$0	\$0	\$4,050,000	\$0	\$0	\$0	\$0
CIP Roll Forward (FY 2024) /Future Projects	\$767,567	\$0	\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
<b>Total Capital Projects</b>	<b>\$6,700,000</b>	<b>\$12,300,000</b>	<b>\$12,009,119</b>	<b>\$6,350,000</b>	<b>\$2,500,000</b>	<b>\$14,900,000</b>	<b>\$3,900,000</b>	<b>\$1,550,000</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>
<i>Total Capital Projects (INFLATED)</i>	<i>\$6,700,000</i>	<i>\$12,792,000</i>	<i>\$12,989,063</i>	<i>\$7,142,886</i>	<i>\$2,924,646</i>	<i>\$18,128,128</i>	<i>\$4,934,744</i>	<i>\$2,039,694</i>	<i>\$1,368,569</i>	<i>\$1,423,312</i>

## Debt Service

At the time of this study, the City's Water Enterprise has no debt service. In conjunction with the 2023 study, the City defeased the remaining Desalter bonds and relieve the Water Enterprise of the existing debt service coverage requirement. The defeasance was paid from the Water Enterprises' existing cash reserves.

## Cash Reserves

The Water Enterprise has reserve policies to meet cash flow needs, ensure adequate funds for replacing assets in case of emergency or failure or other unforeseen circumstances or events, and to protect ratepayers from rate spikes. The current reserve targets were adopted by City Council in 2018 and consist of four components: an operating reserve to provide working capital for routine expenses and working capital; a capital projects reserve to provide funds for programmed CIP; an emergency reserve to manage against asset failure; and a rate stabilization reserve to guard against periods of reduced demand.

The defined reserve policy is 90 days (three months) of cash to meet operating expenses, one year of replacement cost depreciation for the capital replacement reserve, one percent of water system asset valuation for the emergency reserve, and five percent of estimated annual water sales revenue as a rate stabilization reserve. The FY 2025 actual beginning balance for Water Enterprise unrestricted funds was \$13.7 million. **Table 4-4:4-4** shows the City's Water Enterprise target reserves.

**Table 4-4: Water Enterprise Reserve Targets**

Reserve	Policy	Reserve Target FY 2026
Operating	3 Months of Operating Expenses	\$5,414,993
Capital Replacement	One year of depreciation in replacement dollars	\$3,899,944
Emergency	1% total asset value in replacement-less-depreciation dollars	\$1,203,551
Rate Stabilization	Five percent of commodity revenue	\$746,087
<b>Total Reserve Target</b>		<b>\$11,264,575</b>

## Status Quo Financial Plan – No Revenue Adjustments

**Table 4-5** shows the projected proforma for the Water Enterprise for FY 2025 through FY 2029, absent any revenue adjustments. Without increases to rate revenues, revenues generated from rates are insufficient to recover costs. Net operating revenue is negative in all years. Even with support from the General Fund (\$15 M loan), without revenue adjustments the projected cash balance turns negative in FY 2027.

**Table 4-5: Projected Water Financial Plan Proforma**

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Rate Revenues</b>					
Existing Rate Revenues	\$17,322,914	\$17,405,698	\$17,491,316	\$17,577,363	\$17,663,840
Total Revenue Adjustments	\$0	\$0	\$0	\$0	\$0
<b>Total Rate Revenue</b>	<b>\$17,322,914</b>	<b>\$17,405,698</b>	<b>\$17,491,316</b>	<b>\$17,577,363</b>	<b>\$17,663,840</b>
<b>Non-Rate Revenue</b>					
Charges For Services	\$384,045	\$391,726	\$399,560	\$407,552	\$415,703
Fines/Assessments	\$120,200	\$122,604	\$125,056	\$127,557	\$130,108
Investments-Contributions	\$191,395	\$197,137	\$203,051	\$209,142	\$215,417
Other Revenues	\$975,065	\$950,100	\$662,079	\$124,372	\$128,103
<b>Total Operating Revenue</b>	<b>\$18,993,619</b>	<b>\$19,067,264</b>	<b>\$18,881,062</b>	<b>\$18,445,986</b>	<b>\$18,553,171</b>
<b>O&amp;M Expenditures</b>					
Finance - Customer Service	\$732,193	\$778,111	\$827,560	\$880,839	\$938,273
Administration	\$5,143,720	\$4,939,661	\$5,193,764	\$5,465,022	\$5,754,808
Water Resource Management	\$314,903	\$182,015	\$187,309	\$192,928	\$198,716
Meter Readers	\$1,743,559	\$1,336,816	\$1,376,921	\$1,418,229	\$1,460,775
Water - Source	\$5,710,855	\$5,882,181	\$7,139,132	\$7,604,533	\$5,833,484
Pumping	\$1,031,095	\$1,056,482	\$1,088,176	\$1,120,822	\$1,154,446
Treatment	\$385,927	\$397,505	\$409,430	\$421,713	\$434,364
Transmission & Distribution	\$1,813,431	\$1,750,989	\$1,803,519	\$1,857,624	\$1,913,353
Desalter Operations	\$5,808,719	\$4,850,601	\$5,002,049	\$5,158,575	\$5,320,378
Recycled Water Expenses	\$452,802	\$485,611	\$521,119	\$559,560	\$601,189
<b>Total O&amp;M Expenses</b>	<b>\$23,137,204</b>	<b>\$21,659,973</b>	<b>\$23,548,979</b>	<b>\$24,679,844</b>	<b>\$23,609,787</b>
<b>Revenues Less Operating Expenses</b>	<b>(\$4,143,585)</b>	<b>(\$2,592,708)</b>	<b>(\$4,667,916)</b>	<b>(\$6,233,857)</b>	<b>(\$5,056,616)</b>
<b>Replacement Capital Projects</b>	<b>\$6,700,000</b>	<b>\$12,792,000</b>	<b>\$12,989,063</b>	<b>\$7,142,886</b>	<b>\$2,924,646</b>
<b>Debt Issues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>General Fund Loan</b>	<b>\$5,000,000</b>	<b>\$10,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>Net Cash Change</i>	<i>(\$5,671,334)</i>	<i>(\$5,318,122)</i>	<i>(\$17,575,996)</i>	<i>(\$13,347,950)</i>	<i>(\$7,981,262)</i>
<b>Beginning Balance</b>	\$13,732,986	\$8,061,653	\$2,743,530	(\$14,832,466)	(\$28,180,416)
<b>Ending Balance</b>	\$8,061,653	\$2,743,530	(\$14,832,466)	(\$28,180,416)	(\$36,161,678)
<b>Target Balance</b>	\$11,486,548	\$11,120,171	\$11,595,368	\$11,881,045	\$11,616,507
<b>Debt Coverage</b>	#N/A	#N/A	#N/A	#N/A	#N/A
<b>Target Coverage</b>	125%	125%	125%	125%	125%

### Water Financial Plan Revenue Adjustments

Error! Reference source not found. displays the proposed revenue adjustments over the study period. To adequately fund all operating expenses, execute the CIP, achieve reserve policy targets, and achieve borrowing capacity for future debt, revenue adjustments are required. The proposed financial plan is a 24 percent increase in FY 2026 followed by 18 percent in FY 2027, 12 percent in FY 2028, and 4 percent in FY 2029. These increases will allow the Water Enterprise to plan for a future with lower water demands and investments in new local water supplies. In addition to the revenue adjustments, and to moderate otherwise larger rate increases to customers without foregoing capital reinvestment, the financial plan also assumes a \$15 million loan from the City's General Fund in FY 2026 (estimated \$5 M in the current FY 2025 and \$10 M

in FY 2026). Repayment of the loan is assumed to begin five years after the last draw (repayment estimated to begin in FY 2031), at an interest rate of 3 percent, and a term of 10 years. The Water Enterprise is planning to issue new bonds in future years to partially fund capital projects. The plan assumes a \$20 million issue in FY 2027 and a \$10 million issue in FY 2030. Estimated annual debt service assumes a level payment structure.

**Table 4-6: Proposed Water Revenue Adjustments**

<b>Description</b>	<b>FY 2025 Actual</b>	<b>FY 2026 Proposed</b>	<b>FY 2027 Proposed</b>	<b>FY 2028 Proposed</b>	<b>FY 2029 Proposed</b>
Proposed Revenue Adjustment	N/A	24.0%	18.0%	12.0%	4.0%
General Fund Loan	\$5,000,000	\$10,000,000	-	-	-
Debt Proceeds	-	-	\$20,000,000	-	-

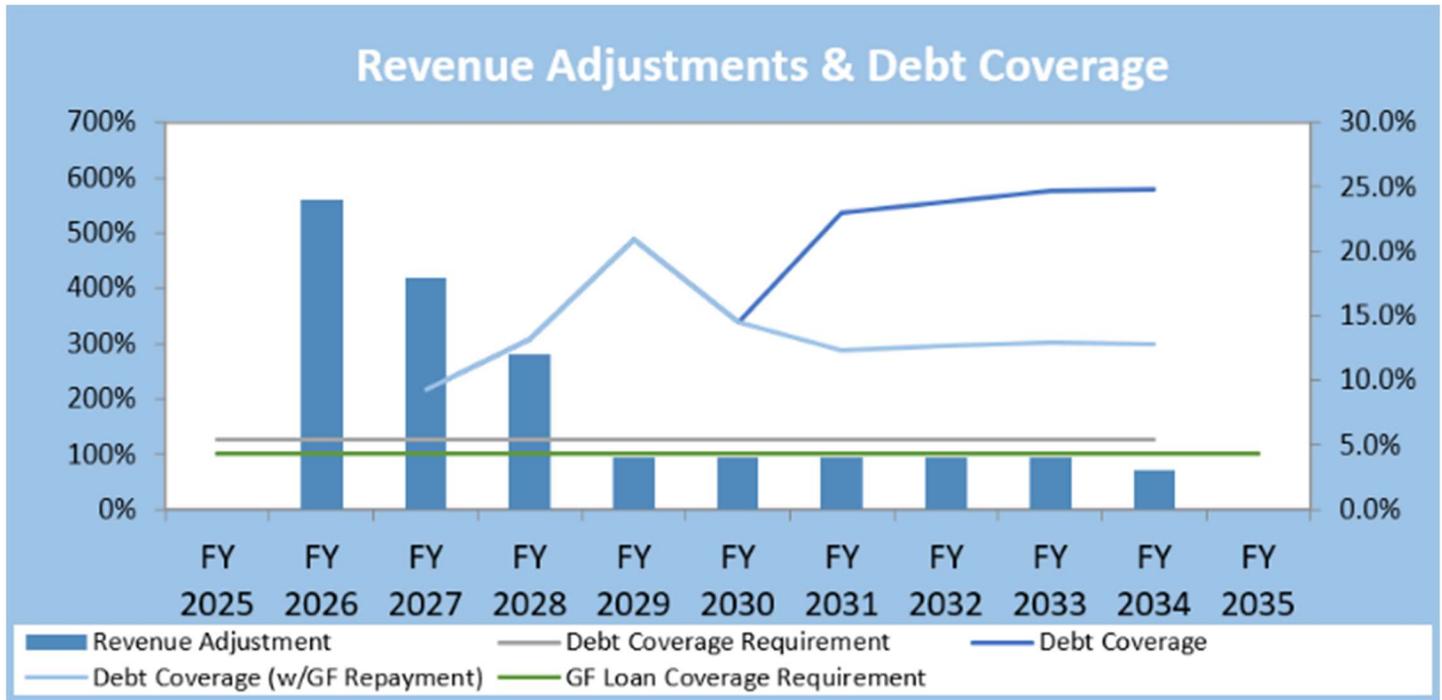
Error! Reference source not found. shows the proforma for the City’s Water Enterprise from FY 2025 through FY 2029 with the revenue adjustments shown in Error! Reference source not found.. With the proposed revenue adjustments, revenues generated from rates and other non-rate revenue sources are sufficient to recover all operating and capital costs, achieve minimum debt service coverage, and achieve the adopted reserve policies over the long-term.

**Table 4-7: Water Financial Plan Proforma**

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Rate Revenues</b>					
Existing Rate Revenues	\$17,322,914	\$17,405,698	\$17,491,316	\$17,577,363	\$17,663,840
Total Revenue Adjustments	\$0	\$4,177,368	\$7,346,353	\$9,998,004	\$11,050,498
<b>Total Rate Revenue</b>	<b>\$17,322,914</b>	<b>\$21,583,065</b>	<b>\$24,837,669</b>	<b>\$27,575,367</b>	<b>\$28,714,338</b>
<b>Non-Rate Revenue</b>					
Charges For Services	\$384,045	\$391,726	\$399,560	\$407,552	\$415,703
Fines/Assessments	\$120,200	\$122,604	\$125,056	\$127,557	\$130,108
Investments-Contributions	\$191,395	\$197,137	\$203,051	\$209,142	\$215,417
Other Revenues	\$975,065	\$950,100	\$662,079	\$124,372	\$128,103
<b>Total Operating Revenue</b>	<b>\$18,993,619</b>	<b>\$23,244,632</b>	<b>\$26,227,415</b>	<b>\$28,443,990</b>	<b>\$29,603,669</b>
<b>O&amp;M Expenditures</b>					
Finance - Customer Service	\$732,193	\$778,111	\$827,560	\$880,839	\$938,273
Administration	\$5,143,720	\$4,939,661	\$5,193,764	\$5,465,022	\$5,754,808
Water Resource Management	\$314,903	\$182,015	\$187,309	\$192,928	\$198,716
Meter Readers	\$1,743,559	\$1,336,816	\$1,376,921	\$1,418,229	\$1,460,775
Water - Source	\$5,710,855	\$5,882,181	\$7,139,132	\$7,604,533	\$5,833,484
Pumping	\$1,031,095	\$1,056,482	\$1,088,176	\$1,120,822	\$1,154,446
Treatment	\$385,927	\$397,505	\$409,430	\$421,713	\$434,364
Transmission & Distribution	\$1,813,431	\$1,750,989	\$1,803,519	\$1,857,624	\$1,913,353
Desalter Operations	\$5,808,719	\$4,850,601	\$5,002,049	\$5,158,575	\$5,320,378
Recycled Water Expenses	\$452,802	\$485,611	\$521,119	\$559,560	\$601,189
<b>Total O&amp;M Expenses</b>	<b>\$23,137,204</b>	<b>\$21,659,973</b>	<b>\$23,548,979</b>	<b>\$24,679,844</b>	<b>\$23,609,787</b>
<b>Revenues Less Operating Expenses</b>	<b>(\$4,143,585)</b>	<b>\$1,584,659</b>	<b>\$2,678,437</b>	<b>\$3,764,147</b>	<b>\$5,993,882</b>
<b>Replacement Capital Projects</b>	<b>\$6,700,000</b>	<b>\$12,792,000</b>	<b>\$12,989,063</b>	<b>\$7,142,886</b>	<b>\$2,924,646</b>
<b>Debt Issues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20,202,020</b>	<b>\$0</b>	<b>\$0</b>
<b>Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,227,831</b>	<b>\$1,227,831</b>	<b>\$1,227,831</b>
<b>General Fund Loan</b>	<b>\$5,000,000</b>	<b>\$10,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>Net Cash Change</i>	<i>(\$5,671,334)</i>	<i>(\$1,140,755)</i>	<i>\$8,542,526</i>	<i>(\$4,577,776)</i>	<i>\$1,841,405</i>
<b>Beginning Balance</b>	<b>\$13,732,986</b>	<b>\$8,061,653</b>	<b>\$6,920,898</b>	<b>\$15,463,424</b>	<b>\$10,885,647</b>
<b>Ending Balance</b>	<b>\$8,061,653</b>	<b>\$6,920,898</b>	<b>\$15,463,424</b>	<b>\$10,885,647</b>	<b>\$12,727,052</b>
<b>Target Balance</b>	<b>\$11,486,548</b>	<b>\$11,264,575</b>	<b>\$11,849,313</b>	<b>\$12,226,642</b>	<b>\$11,998,476</b>
<b>Debt Coverage</b>	<b>#N/A</b>	<b>#N/A</b>	<b>218%</b>	<b>307%</b>	<b>488%</b>
<b>Target Coverage</b>	<b>125%</b>	<b>125%</b>	<b>125%</b>	<b>125%</b>	<b>125%</b>

**Figure 4-1** shows debt coverage and proposed revenue adjustments over the study period. For planning purposes, and to achieve a sustainable plan over the full 10-year horizon, additional increases of four percent per year are projected in FY 2030 through FY 2034. These adjustments adequately fund all operating expenses, future estimated debt coverage requirements, and reserve policy targets. The financial plan will utilize existing reserves, a General Fund loan, and future planned bond proceeds. Calculated debt coverage (blue lines) remains above the debt coverage minimum (grey line) in all years.

**Figure 4-1: Water Revenue Adjustments and Debt Coverage**



**Figure 4-2** illustrates the 10-year operating financial plan including the proposed rate increases for FY 2026 through FY 2029; and projected increases through FY 2034. Note that water purchase costs have been highlighted with orange bars to show the decrease over time of imported water purchases and to distinguish them from other operating costs. Revenues from proposed rates are sufficient to recover O&M costs (including water supply) and debt service while sufficiently funding reserves that will be drawn by the City to partially fund the Water Enterprise’s future CIP needs.

Figure 4-2: Water Operating Financial Plan

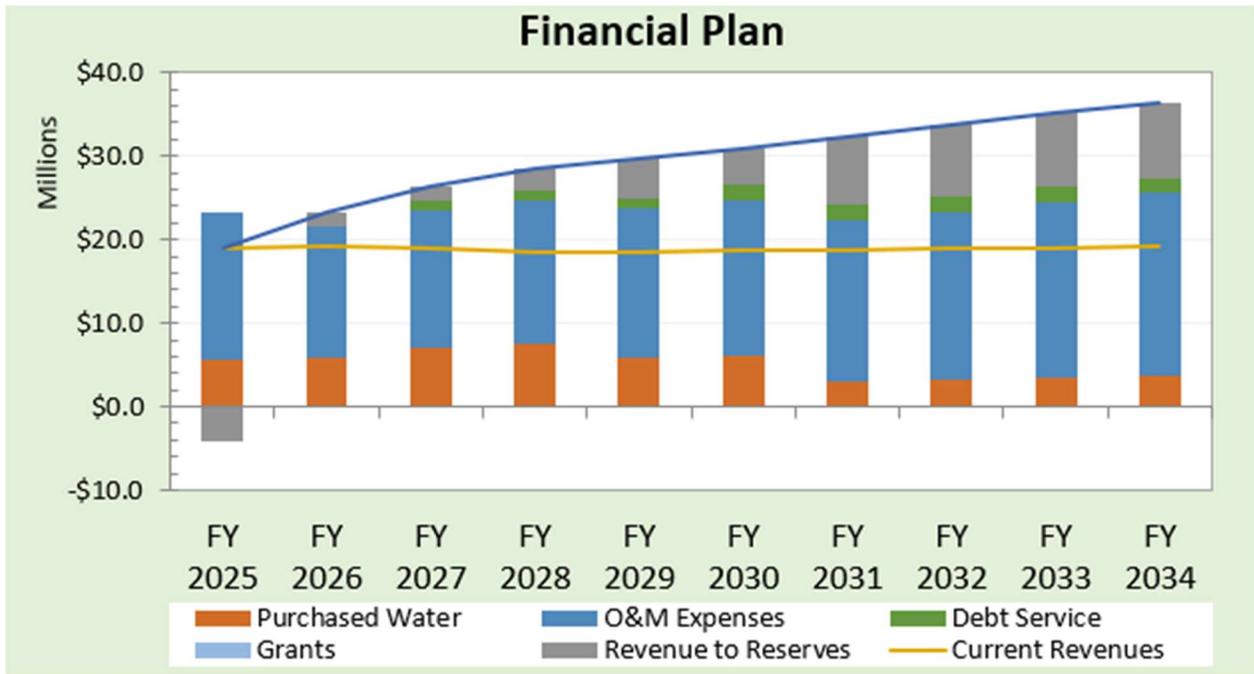


Figure 4-3 shows ending reserve balances (green bars) and targeted balances (green line) over the planning horizon. Ending reserve balances fall below the adopted policies in the middle years of the plan but recover to achieve the target balance in FY 2032. The projected ending balance includes both the proceeds from, and the repayment in later years of, the General Fund loan; ending balances also include any remaining bond proceeds on hand but not expended in the year of issue. If cash reserves in FY 2033 are in fact above the policy target, the Water Enterprise will have the ability to repay the General Fund loan in full, execute additional capital projects, or some combination of the two.

Figure 4-3: Estimated Water Ending Fund Balances

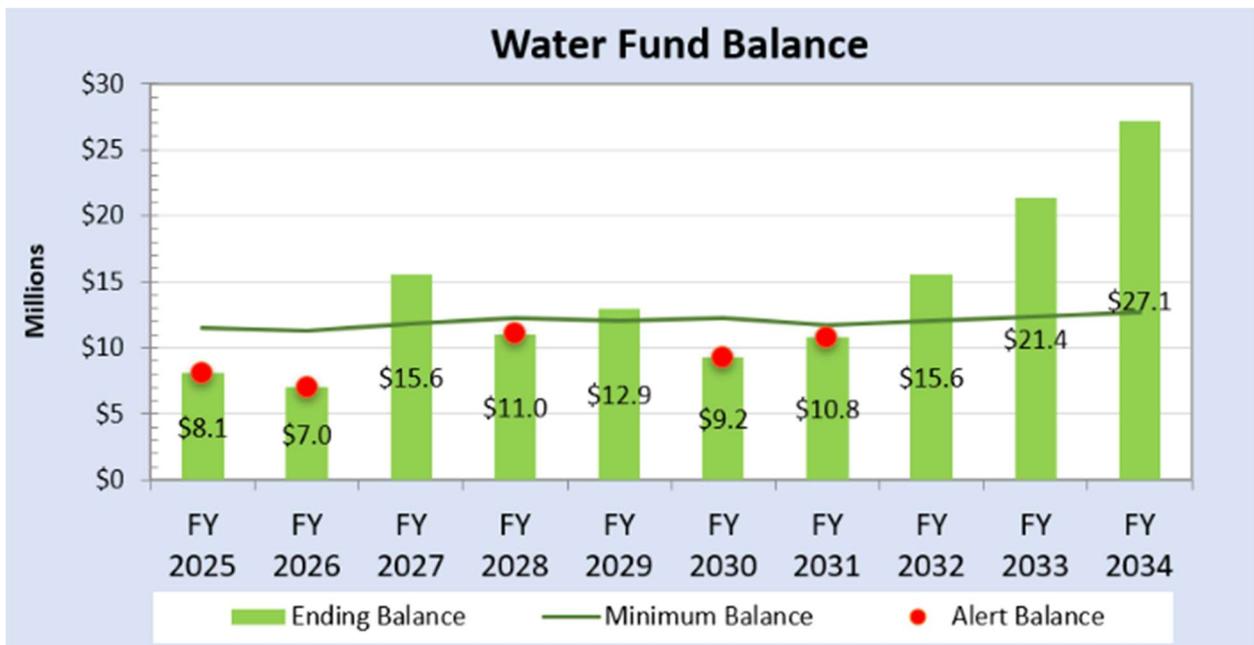
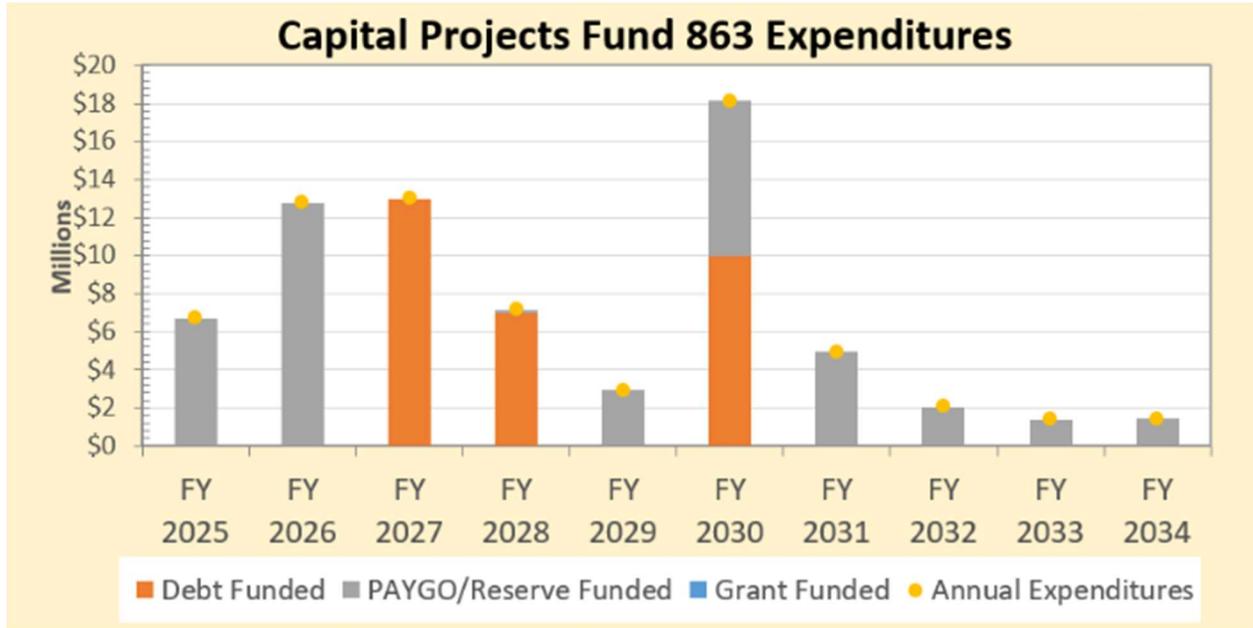


Figure 4-4 shows the Water Enterprise’s planned CIP expenditures and funding source. A majority of CIP in FY 2027 through FY 2030 is anticipated to be funded by revenue bonds (orange bars). These are largely generational projects related to groundwater production wells and pump station infrastructure. All other CIP is projected to be funded by cash reserves (grey bars).

**Figure 4-4: Water Capital Improvement Program Expenditures and Funding Source**



# 5. Proposed Rates

This section shows the proposed rates for the Water Enterprise. The proposed revenue adjustments are based on the City’s financial plan detailed in **Section 44**. Rates below represent a 24 percent rate increase in the first year, equal to the revenue adjustment in FY 2026; and subsequent adjustments in FY 2027 through FY 2029 based on the proposed financial plan. These increases are proposed for implementation on July 1, 2025 and each July thereafter through July 1, 2028. No changes to the rate structure are proposed. All rates are rounded to the nearest penny.

## Proposed Service Charges

Error! Reference source not found. shows the current and proposed monthly service charge, by meter size. Most City Water customers have a 3/4” metered connection.

**Table 5-1: Proposed Monthly Service Charges**

Meter Size	Current	Proposed (July 1, 2025)	Proposed (July 1, 2026)	Proposed (July 1, 2027)	Proposed (July 1, 2028)
3/4"	\$26.19	\$32.48	\$38.33	\$42.93	\$44.65
1"	\$34.94	\$43.33	\$51.13	\$57.27	\$59.57
1 1/2"	\$56.84	\$70.49	\$83.18	\$93.17	\$96.90
2"	\$83.12	\$103.07	\$121.63	\$136.23	\$141.68
3"	\$166.33	\$206.25	\$243.38	\$272.59	\$283.50
4"	\$288.95	\$358.30	\$422.80	\$473.54	\$492.49
6"	\$626.20	\$776.49	\$916.26	\$1,026.22	\$1,067.27
8"	\$1,064.16	\$1,319.56	\$1,557.09	\$1,743.95	\$1,813.71
Fire Hydrant	\$166.33	\$206.25	\$243.38	\$272.59	\$283.50

## Proposed Commodity Charges

Error! Reference source not found. shows the current and proposed commodity charges per unit of water consumed (\$/HCF), which varies by customer class and tier.

**Table 5-2: Proposed Commodity Charges**

<b>Description</b>	<b>Current</b>	<b>Proposed (July 1, 2025)</b>	<b>Proposed (July 1, 2026)</b>	<b>Proposed (July 1, 2027)</b>	<b>Proposed (July 1, 2028)</b>
<b>Residential</b>	<b>(\$/HCF)</b>	<b>(\$/HCF)</b>	<b>(\$/HCF)</b>	<b>(\$/HCF)</b>	<b>(\$/HCF)</b>
Tier 1	\$2.66	\$3.30	\$3.90	\$4.37	\$4.55
Tier 2	\$3.94	\$4.89	\$5.78	\$6.48	\$6.74
Tier 3	\$5.34	\$6.63	\$7.83	\$8.77	\$9.13
<b>Uniform Classes</b>					
Commercial	\$3.35	\$4.16	\$4.91	\$5.50	\$5.72
Industrial	\$3.35	\$4.16	\$4.91	\$5.50	\$5.72
Governmental	\$3.35	\$4.16	\$4.91	\$5.50	\$5.72
Landscape	\$5.92	\$7.35	\$8.68	\$9.73	\$10.12
Agriculture	\$5.92	\$7.35	\$8.68	\$9.73	\$10.12
Construction / FHM	\$5.92	\$7.35	\$8.68	\$9.73	\$10.12
Recycled Water	\$3.55	\$4.41	\$5.21	\$5.84	\$6.08

## Proposed Airport System Charges

Error! Reference source not found. shows the proposed monthly service charge and commodity rate for the airport service area. Rates are based on an agreement the City and airport customers made during the airport system acquisition. The rates for the current and proposed-monthly service charges are calculated based on the meter size and the commodity rate is charged for each HCF of metered water.

**Table 5-3: Proposed Airport System Charges**

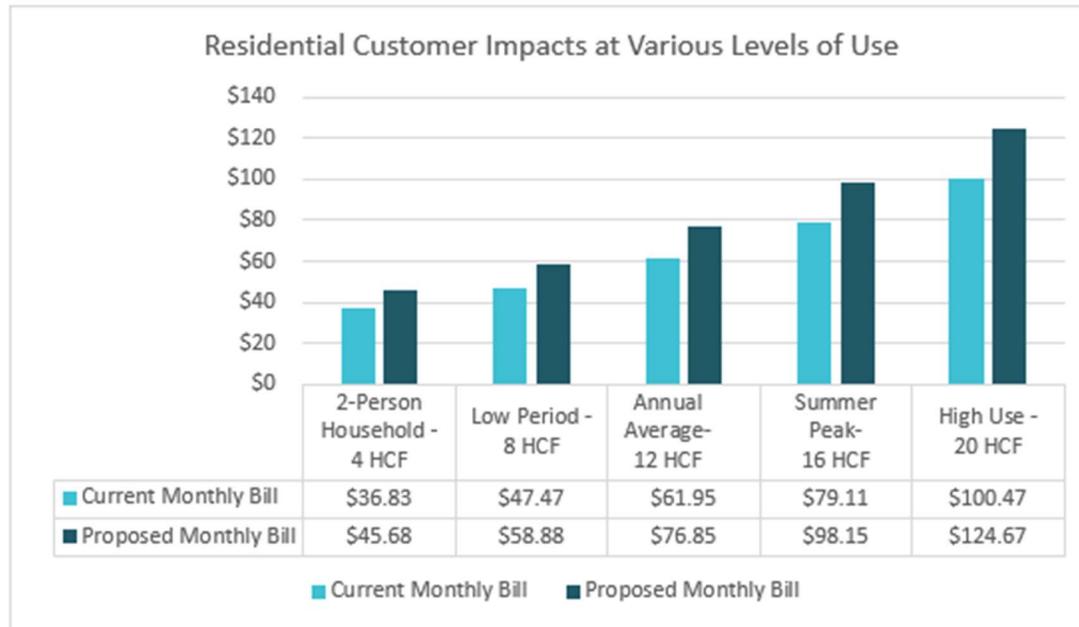
Meter Size	Current Rates	Proposed (July 1, 2025)	Proposed (July 1, 2026)	Proposed (July 1, 2027)	Proposed (July 1, 2028)
<b>Proposed Fixed Charges</b>					
5/8"/3/4"	\$26.19	\$32.48	\$38.33	\$42.93	\$44.65
1"	\$34.94	\$43.33	\$51.13	\$57.27	\$59.57
1 1/2"	\$59.48	\$73.76	\$87.04	\$97.49	\$101.39
2"	\$99.38	\$123.24	\$145.43	\$162.89	\$169.41
3"	\$221.82	\$275.06	\$324.58	\$363.53	\$378.08
4"	\$500.76	\$620.95	\$732.73	\$820.66	\$853.49
6"	\$1,099.68	\$1,363.61	\$1,609.06	\$1,802.15	\$1,874.24
8"	\$1,868.79 <sup>11</sup>	\$2,317.30	\$2,734.42	\$3,062.56	\$3,185.07
Fire Hydrants	\$245.48	\$304.40	\$359.20	\$402.31	\$418.41
<b>Proposed Volumetric Charges</b>					
Commercial	\$5.85	\$6.66	\$7.41	\$8.00	\$8.22
Industrial	\$5.85	\$6.66	\$7.41	\$8.00	\$8.22
Governmental	\$5.85	\$6.66	\$7.41	\$8.00	\$8.22
Landscape	\$6.31	\$7.74	\$9.07	\$10.12	\$10.51
Agriculture	\$7.44	\$8.87	\$10.20	\$11.25	\$11.64
Construction / FHM	\$9.56	\$10.99	\$12.32	\$13.37	\$13.76

<sup>11</sup> Rate calculated based on the existing rate schedule but not currently in effect. 8" meter charges will be scheduled on the notice to customers provided to airport users.

## Customer Impacts

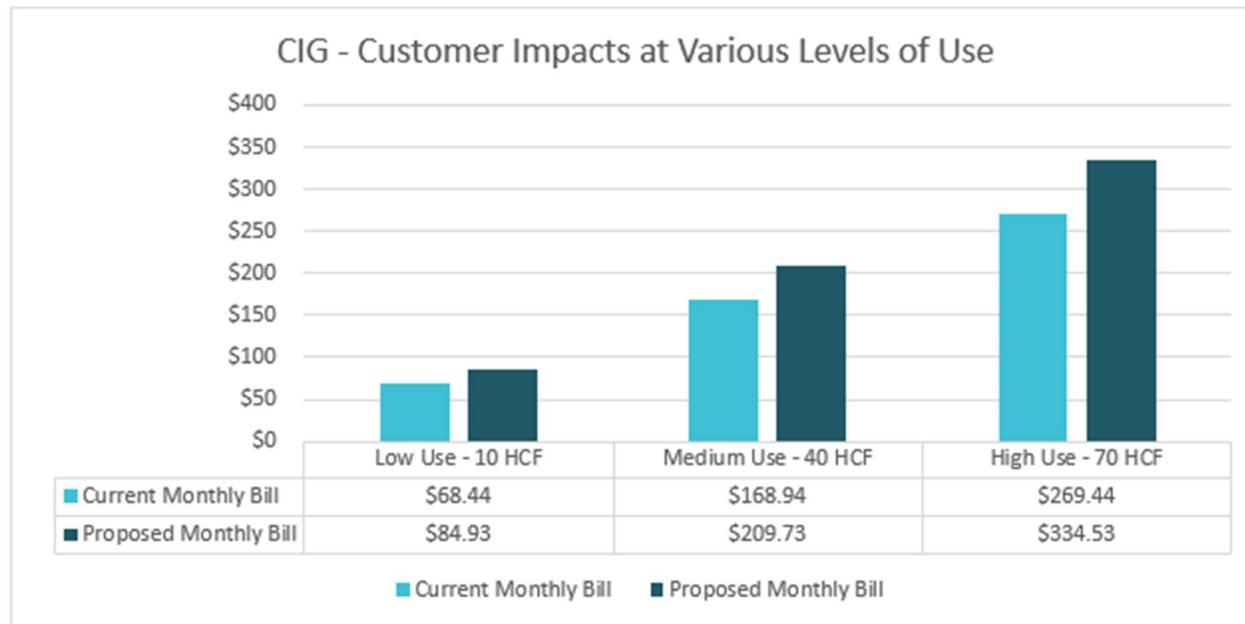
Figure 5-1 shows estimated monthly bill impact for a Residential customer with a 3/4" meter. The chart shows the impact between current charges and the proposed July 1, 2025 rates. The proposed charges incorporate the 24 percent revenue adjustment. A Residential customer with a 3/4" meter using 12 HCF per month (the class average) would experience a \$14.90 increase in their monthly bill.

Figure 5-1: Residential Customer Bill Impacts



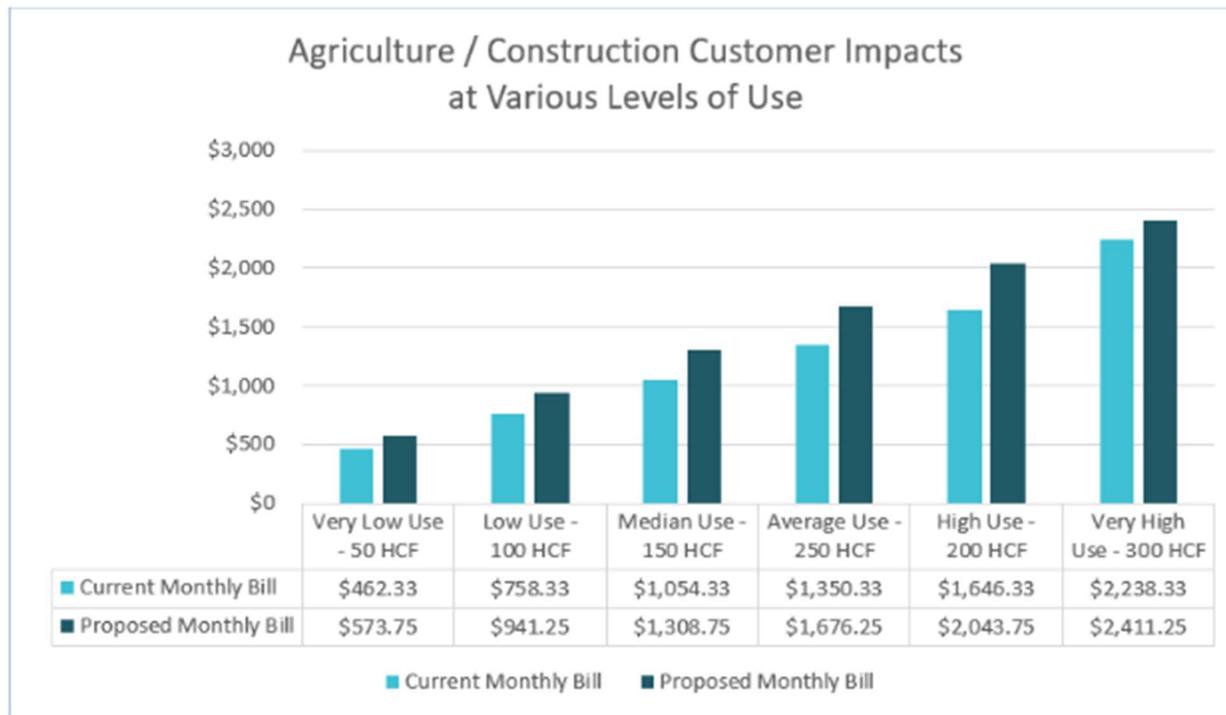
**Figure 5-2** shows the monthly bill impact for a CIG customer with a 1" meter. The chart shows the impact between current charges and the proposed January 1, 2025 charges. The proposed charges incorporate the 24 percent revenue adjustment. A CIG customer with a 1" meter using 40 HCF per month (the class average) would experience a \$40.79 increase in their monthly bill.

**Figure 5-2: CIG Customer Bill Impacts**



**Figure 5-3** shows the monthly bill impact for a Landscape (irrigation), Agriculture, or Construction customer with a 3" meter. The chart shows the impact between current charges and the proposed January 1, 2025 charges. The proposed charges incorporate the 24 percent revenue adjustment. A Landscape, Agriculture, or Construction customer with a 3" meter using 250 HCF per month (the class average) would experience a \$325.92 increase in their monthly bill.

**Figure 5-3: Landscape Ag Construction Customer Bill Impacts**



# 6. Drought Rate Surcharges

## Overview

As part of the 2023 study, Raftelis developed water shortage surcharge rates (sometimes referred to as drought rates or drought surcharges) an additional tool for the City’s Water Enterprise to utilize in times of declared shortage. Water shortage rates are designed to recover lost rate revenue due to reduction in water use during declared shortage, mandatory conservation, or other water emergencies. These supplemental rates should, to the best of their ability, incorporate known changes to the City’s water supply sources and O&M costs at each level of reduction. The rates should provide financial flexibility by allowing the City to implement the appropriate water shortage rates for the severity of a given shortage.

Raftelis and City staff do not recommend any adjustments to the existing water shortage surcharges for this study. This information is provided as a reminder of the process used to develop the surcharges in the 2023 rate study and to document that the surcharges adopted by City Council in 2023 remain unchanged, but available, for a future declared water shortage or water emergency. The surcharges are shown in Table 6-1.

## Proposed (Existing) Water Shortage Rate Surcharges

Shows the water shortage rate surcharges which are proposed to remain unchanged from current rates.

**Table 6-1: Proposed Water Shortage Rate Surcharges**

Customer Class	Level 1 Surcharge	Level 2 Surcharge	Level 3 Surcharge	Level 4 Surcharge
Shortage Level (% Reduction)	10%	20%	30%	40%
<b>Residential Inside City</b>				
Tier 1	\$0.20	\$0.33	\$0.54	\$0.81
Tier 2	\$0.30	\$0.48	\$0.79	\$1.20
Tier 3	\$0.40	\$0.65	\$1.06	\$1.62
<b>Uniform Classes</b>				
Commercial, Institutional, Governmental (CIG)	\$0.26	\$0.41	\$0.67	\$1.02
Landscape, Agriculture, Construction	\$0.44	\$0.72	\$1.18	\$1.80
<b>Airport</b>				
Commercial, Institutional, Governmental (CIG)	\$0.43	\$0.71	\$1.16	\$1.78
Landscape	\$0.46	\$0.77	\$1.26	\$1.91
Agriculture	\$0.55	\$0.91	\$1.48	\$2.26
Construction	\$0.70	\$1.16	\$1.90	\$2.90

# 6. Water Rate Survey

Raftelis conducted a rate survey to benchmark current and proposed water rates against neighboring providers. While a useful benchmark, it is worth noting that such comparisons only paint a partial picture since many factors, like water sources, age and replacement of infrastructure, service area characteristics, revenue sources, and other local conditions affect the total cost of providing water service.

**Figure 6-1** shows the water bill for the current and proposed rates. The survey compares the bill of a Single Family Residential customer using 12 HCF of water per month. The survey compares the estimated bills on July 1, 2025. It should be noted that neighboring agencies have varying durations of adopted rate increases and several agencies including peers like Oxnard, Ventura, and Thousand Oaks are in the process of completing new multi-year rate studies of their own.

**Figure 6-1: Water Bill Comparison for Neighboring Water Services (FY 2025-2026)**

