



City Council May 11, 2022

Proposed Water and Sewer Rates

Rate Study Overview

- Project timeline
- How rates are determined
- Components of a water rate study
- Components of a sewer rate study
- Comparison to surrounding agencies

Project Timeline

Task Name	Dates
Kick off Meeting	May 24, 2021
Financial Plan with Webinar with Staff	June 24, 2021
City Manager Meeting	June 29, 2021
Financial Plans and Rate Policies Webinar with Staff	August 2, 2021
Utilities Committee Meeting #1 Financial Plans	September 1, 2021
Utilities Committee Meeting #2 Public Outreach	October 21, 2021
Utilities Committee Meeting #3 Water Rate Policies	October 28, 2021
Utilities Committee Meeting #4 Revised Financial Plans	December 3, 2021
Utilities Committee Meeting #5 Proposed Rates & Revised Public Outreach	December 9, 2021
City Council Meeting Proposed Water and CSD Rates, Authorization For Public Noticing	March 23, 2022
Community Town Hall	April 6, 2022
Public Hearing	May 11, 2022
<i>Effective Date of New Rates (if approved)</i>	<i>July 1, 2022</i>

Rate adjustments are needed to:



Replace and
repair aging
infrastructure



Pump and
purchase
scarce water
resources



Maintain and
upgrade critical
treatment
facilities



Account for
rising costs of
materials and
energy



How are rates determined?

01

Master Plan

Evaluates infrastructure needs, risks, & priorities

02

Capital Improvement Plan

Captures critical projects in a 5-year plan

03

Financial Plan

Details financing options to fund projects

04

Cost of Service

Determines how to fairly and equitably recover costs

05

Proposed Rates

Designed to keep vital water and sewer systems running.

Components of a Water Rate Study

- FY 2021 Actual Water Revenues and O&M expenses
- FY 2022 Budgeted O&M expenses
- Updated Capital Improvement Plan and project timing
- FY 2021 water consumption and most recent metered connections
- Future water demand estimates

Key Factors

- Water supply costs
 - Ground water pumping fees
 - Imported water costs
- Operating & maintenance expenses
 - Inflationary assumptions
- Capital infrastructure maintenance and improvements
- Regulatory requirements
- Desalter impacts

Planned Improvements

The City must continually invest in our water system to maintain safe and reliable services.

-
- Advanced Metering
 - Charter Oak Pump Station
 - Electrical Upgrades to Airport Well 3
 - NPV Desalter
 - Recycled Water Improvements
 - Reservoir 3 Coating
 - Springville Well E
 - **Additional projects as identified by the Water Master Plan**



Water Demand and Account Growth

- New connection growth rate of 0.8% per year through FY 2024
 - › New connections do not increase absolute demand
- FY 2022 demand forecast based on 2020 Urban Water Management Plan (UWMP) target reduction

Water Demand	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Account Growth	0.80%	0.80%	0.80%	0.80%	0.00%	0.00%
Water Demand Factor	100.00%	98%	98%	98%	98%	98%
Water Use (hcf)	3,550,832	3,479,815	3,410,219	3,342,015	3,275,174	3,209,671
Potable Demand (AF)	8,151 AF	7,988 AF	7,828 AF	7,672 AF	7,518 AF	7,368 AF
Water Supply	8,353 AF	8,186 AF	8,022 AF	7,862 AF	7,705 AF	7,551 AF

Source of Supply Assumptions

- Long-term groundwater production of approximately 3,000 acre feet per year (AFY)
- Full production of Desalter (3,800 AFY) in FY 2023 and beyond
- Reduced imported water purchases over time
 - Additional water purchases in current fiscal year due to offline production wells
- Cost pressure:
 - Increased pumping rates from Fox Canyon expected (\$40 to **\$220** per AF)
 - Conservative estimates on Desalter O&M increases

WHAT IS COST OF SERVICE?

Technical Explanation

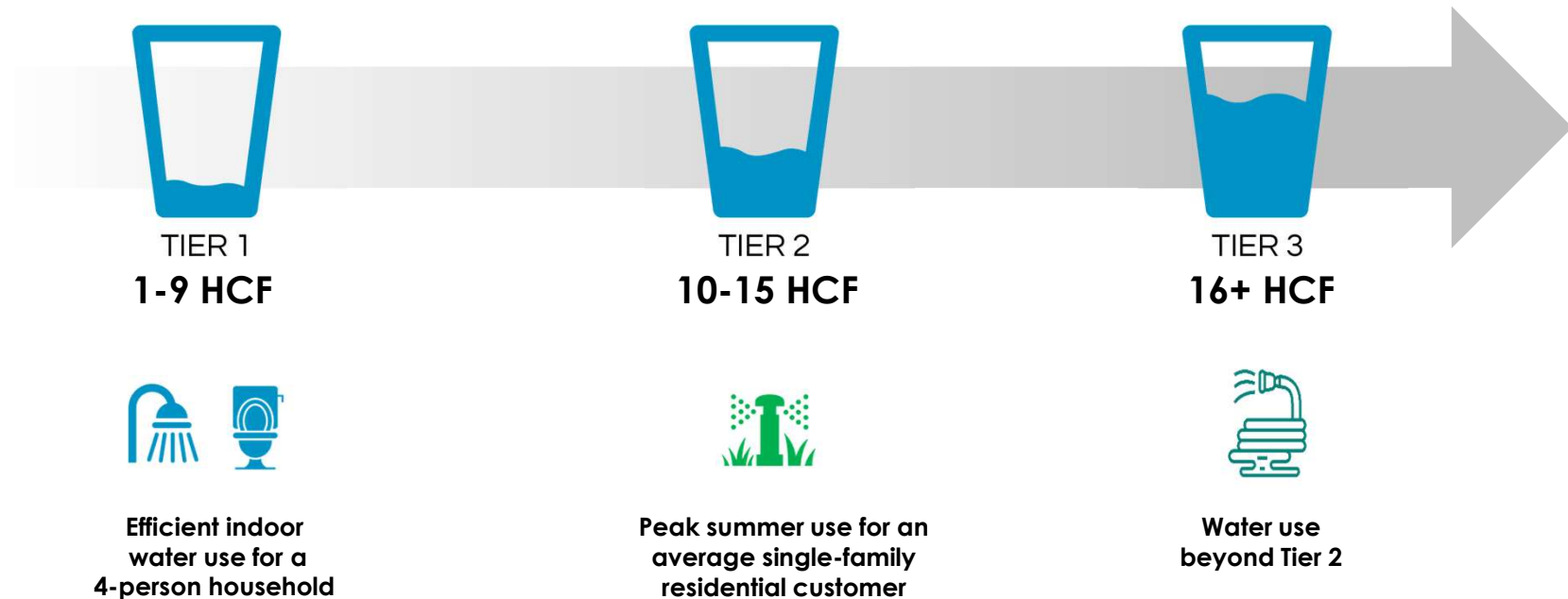
Cost of service is the fundamental benchmark used for establishing utility rates in the United States and Canada



- Cost-based process of converting revenue requirements into unit costs
- Method to recover costs from users in proportion to the (1) impact of each class on system facilities and operations and, (2) customer class use characteristics

SINGLE FAMILY RESIDENTIAL

Proposed Water Rate Structure



*1 Hundred Cubic Feet (HCF) 748 gallons or 15 bathtubs

Commodity Rate Change Drivers

- Supply costs
- Less raw groundwater production, relative to 2013 cost of service
- More costly raw groundwater production
- New intermediate cost source (Desalter water)
- Less Calleguas water required
 - And no differential between Tier 1 / Tier 2 imported

SINGLE-FAMILY RESIDENTIAL

Water Tiers Comparison

CURRENT

\$1.61



Tier 1
0-9 HCF

\$3.81



Tier 2
10-18 HCF

\$4.83



Tier 3
19-24 HCF

\$6.73



Tier 4
25+HCF

PROPOSED

\$2.23



Tier 1
0-9 HCF

\$3.31



Tier 2
10-15 HCF

\$4.48



Tier 3
16+ HCF

Simplified & aligned
with recent water
use patterns

Key Points on Proposed Water Rates



Water supply mix is the primary driver to commodity rate changes



Fixed charges are updated to reflect a more historic revenue recovery and to reflect industry standard capacity ratios



Commodity rate and fixed charge changes move in opposite directions, mitigating impacts to Residential customers, in particular



The City's water service rate for average residential use is second lowest among surveyed agencies, even after the cost of service analysis

PROPOSED RATES

Water Meter Service Charge

Meter Size	Current	Proposed
5/8"/3/4"	\$23.82	\$22.03
1"	\$28.44	\$29.40
1 1/2"	\$50.54	\$47.83
2"	\$77.01	\$69.95
3"	\$147.65	\$139.99
4"	\$227.06	\$243.20
6"	\$447.82	\$527.05
8"	\$712.69	\$895.67
Fire Hydrant	\$200.94	\$139.99

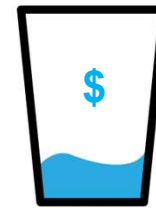


PROPOSED RATES

Water Commodity

Class/Tier	Current	Proposed
Residential - City		
Tier 1	\$1.61	\$2.23
Tier 2	\$3.81	\$3.31
Tier 3	\$4.83	\$4.48
Tier 4	\$6.73	
Residential – Outside City		
Tier 1	\$4.44	\$3.69
Tier 2	\$4.64	\$6.07
Tier 3	\$4.83	\$7.07
Tier 4	\$6.73	
Uniform Classes		
CIG	\$2.75	\$2.81
Landscape Ag Construction	\$4.77	\$4.98

SFR Proposed Tiered Structure



Tier 1
0-9 HCF



Tier 2
10-15 HCF



Tier 3
16+ HCF

Water Rates

- Questions

Wastewater (Sewer) Rates Overview

- Project timeline
- How rates are determined
- Components of a sewer rate study
- Key factors
- Proposed rates
- Comparison to surrounding agencies

Components of a Sewer Rate Study

- FY 2021 actual revenues and O&M expenses
- FY 2022 budgeted O&M expenses
- Updated CIP and project timing
- New Wastewater Treatment Plant Master Plan preliminary results
- Most recent wastewater connection counts
- FY 2021 wastewater flows for non-residential customers

Key Factors

- Operating & maintenance expenses
 - Inflationary assumptions
- Capital infrastructure maintenance and improvements
 - New Wastewater Treatment Plant (WWTP) Master Plan results
- Most recent wastewater connection counts
- Regulatory requirements

Planned Improvements

The CSD must continually invest in our sewer system to maintain safe and reliable services.

- Pleasant Valley Sewer Forcemain
- Wastewater Treatment Plant Upgrades - Phases I & II
- **Additional projects as identified by the Wastewater Master Plan**



Key Points on Proposed Sewer Rates



Capital Infrastructure requirements are the primary driver



Strict regulatory requirements guide treatment processes



The City's sewer service rate for average residential use is in the middle among surveyed agencies

PROPOSED RATES

Residential Sewer

Residential Class	Current	Proposed
Single Family Residential	\$56.95	\$59.23
Multi-Family Residential	\$39.39	\$40.97
Duplex	\$39.39	\$40.97
Triplex	\$39.39	\$40.97
Condos/Cluster Housing	\$39.39	\$40.97
Mobile Home Parks	\$22.16	\$23.05
Qualifying Low-Income Senior*	\$22.16	\$23.05
Age Restricted	\$22.16	\$23.05
Outside CSD - SFR	\$71.78	\$74.66

PROPOSED RATES

Non-Residential Sewer

Description	Current	Proposed
Meter Size	(\$/month)	(\$/month)
3/4"	\$33.22	\$34.55
1"	\$72.22	\$75.11
1 1/2"	\$137.27	\$142.77
2"	\$215.30	\$223.92
3"	\$397.37	\$413.27
4"	\$397.37	\$413.27
6"	\$397.37	\$413.27
8"	\$397.37	\$413.27

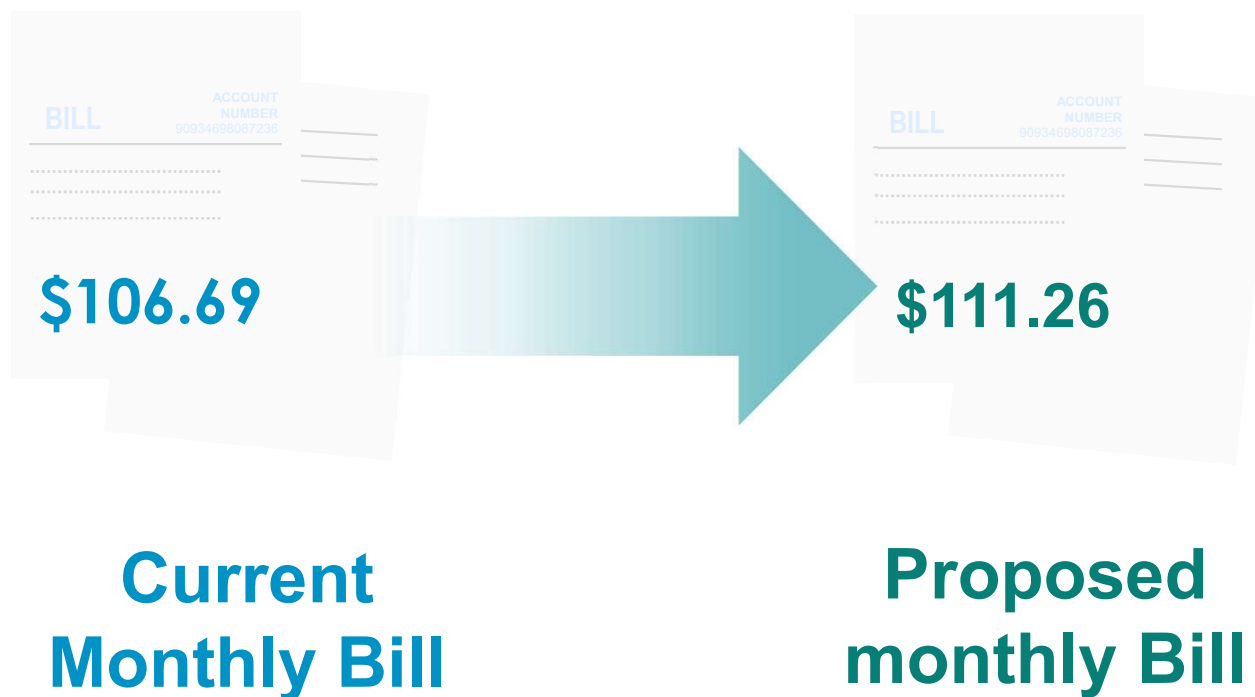
Description	Current	Proposed
Commodity Rate	(\$/hcf)	(\$/hcf)
Low Strength Commercial	\$4.16	\$4.33
Medium Strength Commercial	\$5.12	\$5.33
High Strength Commercial	\$5.97	\$6.21
Churches	\$4.16	\$4.33
Schools	\$4.16	\$4.33
Hospitals/Convalescent	\$4.16	\$4.33
Public/City	\$4.16	\$4.33
Industrial	\$5.97	\$6.21
Outside City - by Class Rate	125%	125%

Sewer Rates

- Questions

SINGLE FAMILY RESIDENTIAL CUSTOMER

Customer Impacts

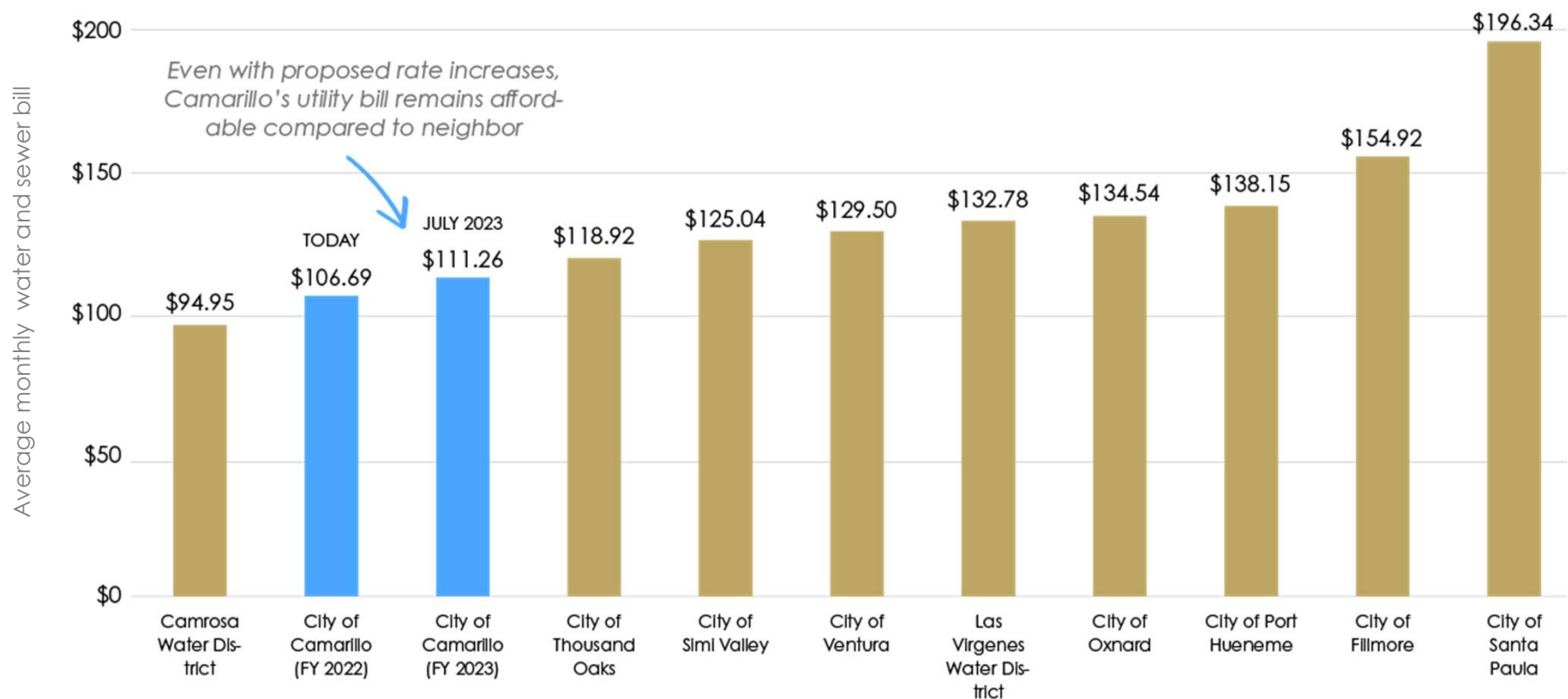


+\$4.57

SFR customers using 12 HCF per month will see an \$4.57 increase on their monthly combined water & sewer bill

If approved, rate adjustments would go into effect July 1, 2022




Camarillo's average monthly water & sewer bill compared to neighbors



*Assumes the annual average water use of 12 hundred cubic feet (HFC) of water per month

RATE IMPACTS

Commercial, Industrial & Government (CIG)

Adjustment	+6.15	+13.05	+19.95
Current Monthly Bill	\$169.76	\$377.06	\$584.36
Proposed Monthly Bill	\$175.91	\$390.11	\$604.31
	Low water use CIG Customer 10 HCF	Average water use CIG Customer 40 HCF	High Water Use CIG Customer 70 HCF
			

Assumes 1" Meter

What are the consequences if rates are not adjusted?

Proactive investment keeps wastewater services affordable and reliable now and into the future.

Deferred Maintenance

Infrastructure Failure

Dramatic vs gradual increases

Costly Emergency Repairs

Fees & Penalties

if the City does not meet regulations



Supporting Transparent Public Outreach

www.cityofcamarillo.org/utilityrates

- Financial Plans
- Proposition 218 Public Notice
- Community Town Hall
- City News
- Utility Bill Inserts
- Social Media
- Answers to FAQ



Frequently Asked Questions

“WHY ARE TIER 1 RATES GOING UP AND TIER 2 RATES GOING DOWN?”

Class/Tier	Current	Proposed
Residential - City		
Tier 1	\$1.61	\$2.23
Tier 2	\$3.81	\$3.31
Tier 3	\$4.83	\$4.48
Tier 4	\$6.73	

- Allocated lowest cost (groundwater) to highest cost (imported water)in the Tiers
- Ground water costs have increased significantly
- The Desalter introduces a third source (mid-level cost) to all Tiers

Frequently Asked Questions

“HOW DOES THE DESALTER FACILITY IMPACT RATES?”

- Maximizes groundwater supplies
- Reduces the need for more expensive imported water
- Allows for better local control

Frequently Asked Questions

“WHEN WAS THE LAST TIME THE CITY INCREASED ITS RATES?”

- Rates are evaluated every year
- Water: January 1, 2019 (1%)
- Sewer: January 1, 2021 (2%)
- 5-Year average CPI is 3%

Frequently Asked Questions

“WILL RATES CONTINUE TO INCREASE EACH YEAR?”

- Rates are evaluated every year
- Ongoing Operating and Maintenance (O&M) costs continue to rise due to inflation
- Aging capital infrastructure
- Increasing regulatory requirements

Questions



Recommended Actions

CITY COUNCIL: WATER RATES

Adopt a Resolution Setting the Amount of Water Rates and Charges in the City of Camarillo.

CSD BOARD: SEWER RATES

1. Authorize reading of the title.
2. Authorize waiving further reading and introduce a CSD Ordinance amending Chapter VII, Section 7001, of the Operations Code relating to Sewer Service charges.

Public Hearings

An aerial photograph of a city landscape. In the background, a range of rugged, brown mountains rises against a clear blue sky. The middle ground shows a mix of urban development, including residential neighborhoods with houses and some larger commercial or institutional buildings. A river or canal winds through the landscape. In the foreground, a semi-transparent architectural rendering of a city plan is overlaid, showing a grid of streets, building footprints, and green spaces. The text "Public Hearings" is superimposed in white, bold, sans-serif font over the middle-left portion of the image.