



Camarillo City Council

AGENDA REPORT

Date: October 11, 2023

To: Honorable Mayor and City Councilmembers

From: Greg Ramirez, City Manager

Submitted by: Mark Uribe, Finance Director

Subject: Water Service Rates - Adopt a Resolution Setting the Amount of Water Rates and Charges for January 1, 2024 and July 1, 2024

BACKGROUND

The City of Camarillo retained an independent consultant, Raftelis Financial Consultants, Inc. (RFC), to prepare a comprehensive rate study. The Study, completed in July 2023, establishes water rates that are based on the cost of providing the service as required by Proposition 218. The Study developed a financial plan which included the capital improvement plan, operating budgets, customer billing and water usage data, and future growth and inflationary assumptions for the Study period. The results of the Study were discussed with the City Council during the August 23, 2023 City Council Meeting.

Staff is proposing water rate increases, effective January 1, 2024 and July 1, 2024, to users of the City Water System. Following the August 23, 2023 City Council Meeting, a Proposition 218 notice process was initiated. This notice provided users of the City Water System with a date of the public hearing and the proposed water rate increases indicated in the attached Resolution.

DISCUSSION

Water bills are mailed to approximately 13,300 users on a monthly basis. The bill contains two basic components:

1. Service Charge or Meter Charge, which is designed to cover fixed costs. This fixed charge increases relative to the size of the meter. Fixed cost includes elements such as meter reading, billing, maintenance, and capital costs associated with the meters.
2. Volumetric Charge or Usage Charge, which is designed to cover the variable costs and includes elements such as water supply, delivery, and capital costs. This variable charge increases or decreases based upon an individual customer's monthly usage pattern.

Since 1990, a tiered commodity charge designed to encourage conservation has been in

effect for residential customers. Non-residential customers pay a fixed rate per unit of water used.

The proposed Resolution sets the water rates and charges for the City Water System and the Camarillo Airport Water Zone. The proposed water rates have been determined to achieve an overall revenue increase necessary to replace and repair aging infrastructure, pump and purchase scarce water resources, maintain and upgrade critical treatment facilities, account for the rising cost of materials and energy, and maintain compliance with regulatory requirements. The suggested action directs staff to enact the January 1, 2024, and July 1, 2024 rate adjustments.

City Water System Rates – Customer Bill Example

Detailed studies and analysis have determined that 9% revenue adjustments are necessary effective January 1, 2024, and July 1, 2024. The proposed monthly increase for a typical Single Family Residential (SFR) customer bill would be \$4.78 beginning January 1, 2024, based on a ¾-inch meter and a monthly Tier 2 usage of 12-units (approximately 9,000 gallons), as illustrated.

Sample SFR Bill	Existing Bill	Proposed Bill 1/1/2024
Water Charge	\$ 52.03	\$ 56.81
\$ increase		\$ 4.78
% increase		9.0%

Camarillo Airport Water Zone Rates

The Camarillo Airport Water Zone rates were originally set in accordance with the Water System Transfer Agreement dated February 28, 2006. The customers within the Camarillo Airport Water Zone are charged a higher rate structure than the City Water System users. Included in the transfer agreement was language stating that the service charge could be increased by the same percentage increase as the City Water System. However, the volume charge increase would be equivalent to the dollar increase for the City Water System. All users within the Camarillo Airport Water Zone pay a non-residential rate, or a surplus water rate. Surplus water is the water used with fire hydrants within the Airport Water Zone. There are several customers who utilize hydrants for regular hook-ups because of the nature of their business. These customers are unique to City Water System hydrant users, who only utilize hydrant water for construction purposes.

Capital Improvement Projects (CIP)

Rate increases are necessary to improve and maintain the water infrastructure system. The City has identified 11 critical capital improvement projects for 2023 through 2028. The planned projects are included in an attachment to this report.

Drought Rates

The City of Camarillo relies heavily on water sales to fund a complex water system that procures, treats, and delivers safe, reliable water to its customers. The impacts of cyclical drought and mandatory water conservation have made our water system vulnerable. Staff is proposing a 4-level drought rate surcharge structure, effective January 1, 2024, and July 1, 2024. The surcharges are temporary additions to the base volumetric rate that may only be implemented at the discretion of the City Council during times of mandatory conservation, declared shortages, or other water emergencies.

Proposition 218

In July 2006, the California Supreme Court decided on the Bighorn-Desert View Water Agency v. Verjil case and ruled that rates for utility service are “property-related fees” subject to Proposition 218. 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 which silence is consent.

In order to comply with Proposition 218, all notices of the proposed rate increase were mailed on August 25, 2023, to all billing customers, as well as property owners within the City of Camarillo who are not utility billing customers (for example, landlords). The notices stated the method for protesting the rate increase.

State Law

In addition to the Proposition 218 noticing requirements, Government Code Sections 6062a, 54354.5 and 66016 require that the Public Hearing Notice and the Resolution be published in the local newspaper. These notices were published on September 23 and September 30, 2023.

If the City Council approves the rates as recommended, the rate increases will become effective January 1, 2024 and July 1, 2024.

The Proposition 218 Process requested that letters of protest be submitted in writing with one valid signature per address. As of September 26, 2023, there were no written protest submitted to the City Clerk.

FISCAL IMPACT

If these increases are approved, the FY 2023/24 Budget will be amended as part of the mid-year budget review to reflect the revenue increase effective January 1, 2024.

CEQA DETERMINATIONS

City staff has determined, in accordance with Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, that Water Rates and Charges are not

subject to CEQA review because it can be seen with certainty that there is no possibility that the Water Rates and Charges may have a significant effect on the environment.

RECOMMENDATION

Adopt a Resolution setting the amount of water rates and charges for January 1, 2024 and July 1, 2024.

ATTACHMENTS

1. Resolution
2. Capital Improvement Projects

REFERENCE MATERIALS – AVAILABLE FOR REVIEW AT CITY HALL

None