

Ventura River Water District

Two-Year Rate Study Memo

FY 2023-24 & FY 2024-25

March 10, 2023



Ventura River Water District

**VENTURA RIVER WATER DISTRICT
TWO-YEAR RATE STUDY
FY 2023-24 & FY 2024-25**

DRAFT MEMO

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RDN Project Number 340

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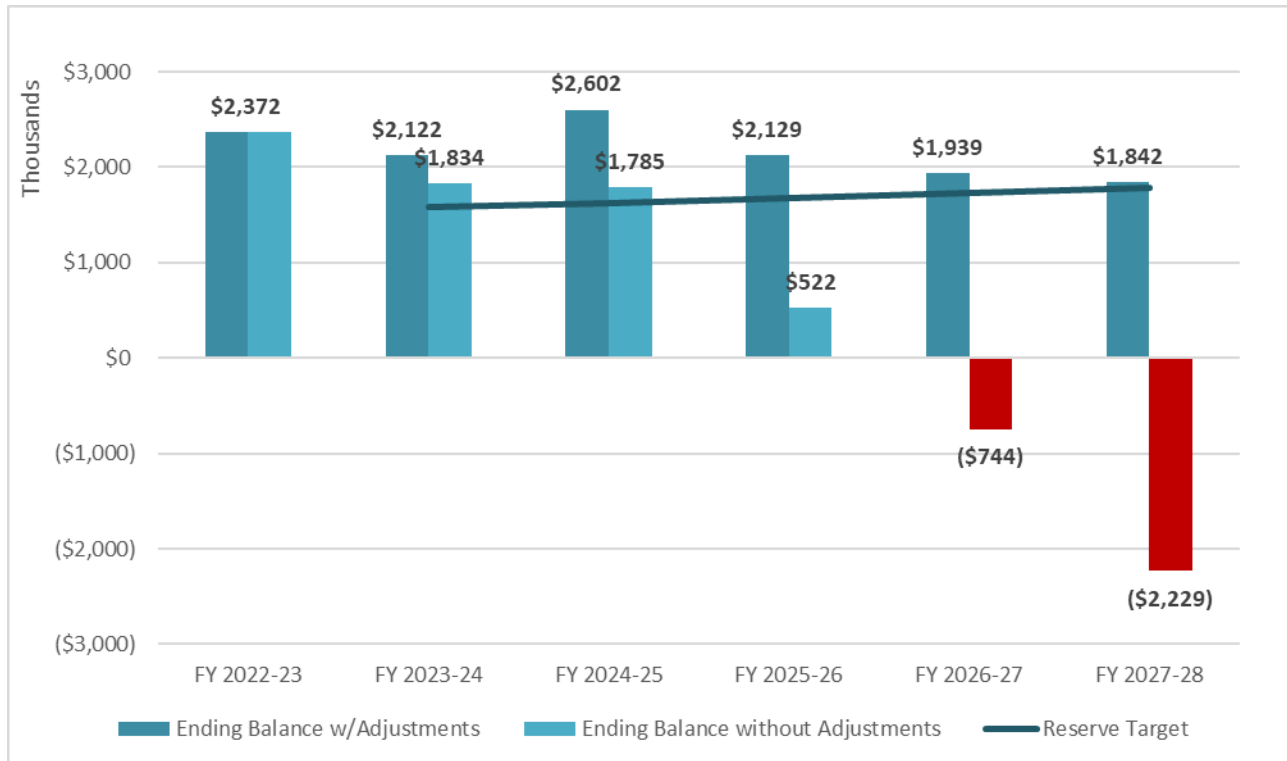
Key Assumptions

Based on the historical and recent trend of water use by the District’s customers, the Board of Directors has approved a projection of **800 AF** of water demand per year for the study period of Fiscal Year (FY) 2023-24 and FY 2024-25. Currently, the District serves a total of **2,187 accounts**, which include Single Family Residential (SFR), Multi-Family Residential (MFR), Commercial (COM), and Private Fire Protection (PFP) customers. It is anticipated that the number of accounts will **increase by two per year**, primarily among SFR customers on a ¾ inch meter.

Financial Plan

RDN utilized budgetary documents prepared by the District to create a rate model that includes a revenue and expense forecast for the five-year planning period from FY 2023-24 through FY 2027-28. The **cash-needs approach** was used in the base model to calculate revenue requirements. To maintain the current cash reserve balance and mitigate the financial burden on customers, RDN recommends a **10.0 percent revenue adjustment for FY 2023-24**, followed by an additional **9.0 percent for FY 2024-25**. The rates will be reviewed again in two years to assess the financial condition of the District. The model projects future revenue adjustment needs of 9.0 percent for FY 2025-26 through FY 2027-28, this will be reevaluated in the next study. The figure below shows the cash reserve ending balance with and without revenue/rate adjustments. If the recommended revenue and rate adjustments are not implemented, the District's cash reserves will be depleted by FY 2026-27.

Figure 1. Cash Reserve Balance with and without Rate Adjustments for FY 2023-24 – FY 2027-28



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Table 1 shows the District’s five-year financial plan for FY 2023-24 – FY 2027-28 with recommended revenue adjustments including the 9.0 percent per year for the outer years.

Table 1. Five-Year Financial Plan

LINE	Description	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
1	Revenue Adjustment	10.0%	9.0%	9.0%	9.0%	9.0%
2	Revenue from Rates	\$2,665,167	\$2,903,994	\$3,166,790	\$3,452,975	\$3,764,631
3	Property Tax Adjustment	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
4						
5	Other Revenue Sources					
6	Other Operating Revenues	\$17,800	\$21,808	\$22,876	\$24,009	\$25,210
7	Non-operating Revenues	\$11,000	\$14,225,720	\$11,221	\$11,333	\$11,447
8	Total Other Revenue Sources	\$28,800	\$14,247,528	\$34,098	\$35,342	\$36,656
9						
10	Total Revenue	\$2,743,967	\$17,201,521	\$3,250,888	\$3,538,318	\$3,851,287
11						
12						
13	O&M Expenses	(\$2,586,485)	(\$2,546,306)	(\$2,617,298)	(\$2,761,267)	(\$2,912,629)
14						
15	Debt Service					
16	Existing	\$0	\$0	\$0	\$0	\$0
17	Proposed	\$0	\$0	\$0	(\$653,953)	(\$653,953)
18	Debt Service Total	\$0	\$0	\$0	(\$653,953)	(\$653,953)
19						
20	Capital PAYGO	(\$407,000)	(\$14,175,659)	(\$1,106,749)	(\$312,741)	(\$381,464)
21						
22	Total Expense	(\$2,993,485)	(\$16,721,965)	(\$3,724,047)	(\$3,727,961)	(\$3,948,046)
23						
24	Net Operating Cash Flow	(\$249,518)	\$479,557	(\$473,159)	(\$189,643)	(\$96,759)
25						
26	Beginning Balance	\$2,371,772	\$2,122,254	\$2,601,811	\$2,128,651	\$1,939,008
27	Ending Balance	\$2,122,254	\$2,601,811	\$2,128,651	\$1,939,008	\$1,842,249

Note: the property tax adjustment in Line 3 is directly applied to the Tier 1 rate.

Note: FY 2025-26 – FY 2027-28 include approximately 9.0 percent of estimated revenue adjustments.

Cost of Service Analysis

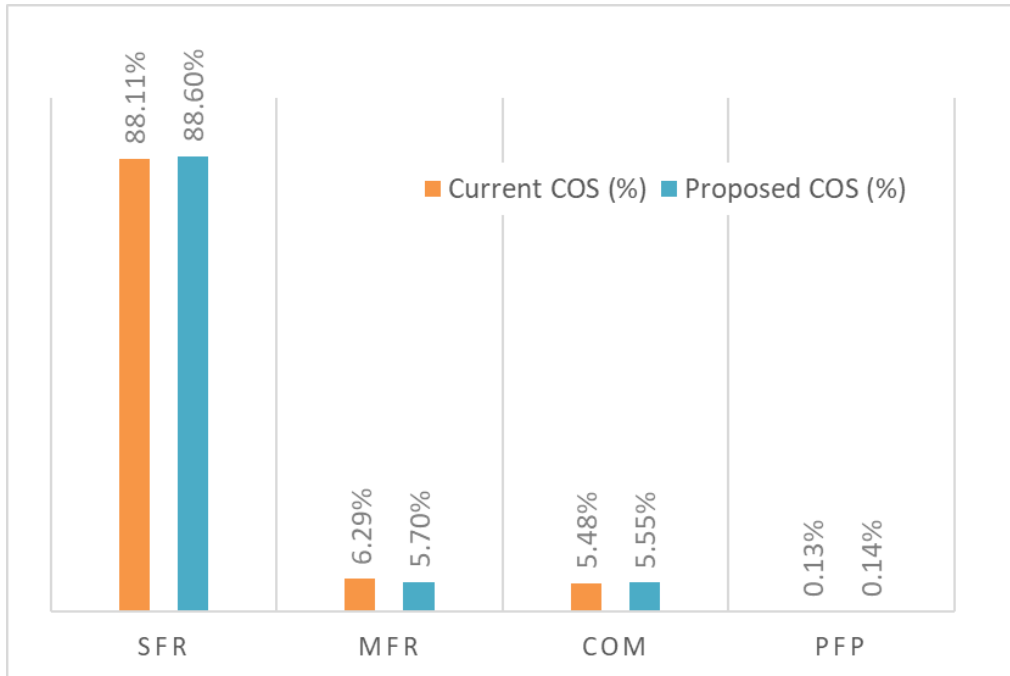
The purpose of Cost of Service (COS) Analysis is to allocate costs among the customers commensurate with their service requirements. The concept of proportionate allocation of costs to customer classes implies that allocations should take into consideration not only the relative quantity of water used by each class but also the peak rate at which it is consumed.

The District is composed of various facilities that serve a particular function to provide water service. These facilities are designed and operated to meet the average-day and peak demands as well as customer-related requirements. Using the base-extra capacity method, described in the American Water Works Association

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(AWWA) M1, costs are separated into eight cost components: Base, Max Day Demand (MDD), Peaking Hourly Demand (PHD), Water Conservation, Meters, Customer Service, and Public Fire Protection Service (PFP). For example, peaking factors are used as a proxy for determining and allocating the cost of providing extra capacity to meet peak customer demands while cost components such as Customer Service and Meters are non-peaking parameters and are measured by the number of bills in a year and equivalent meter counts, respectively. The results of the COS analysis are summarized in Figure 2, which shows the shifts in cost allocation, particularly for MFR customers.

Figure 2. Cost of Service Analysis Current vs. Proposed

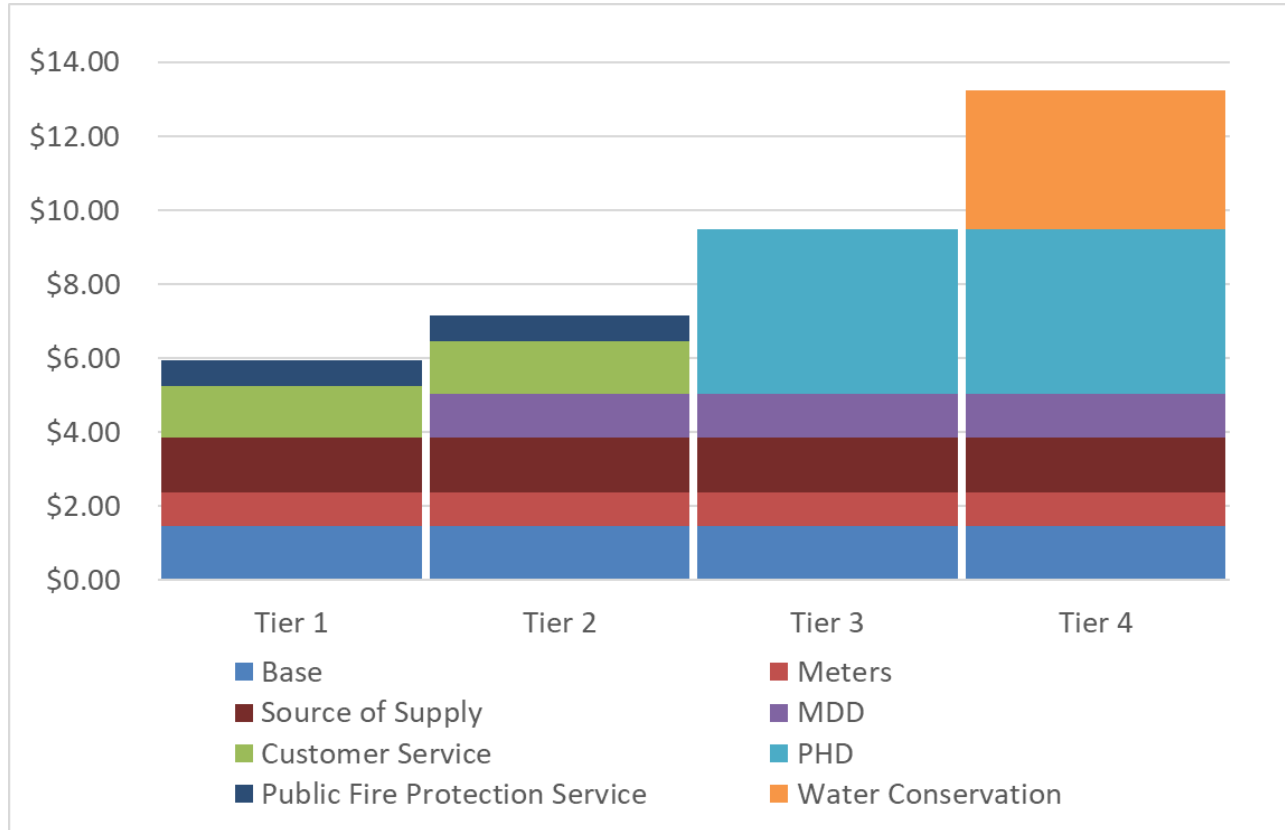


Recommended Rate Adjustments

RDN has designed a rate schedule for the next two years that aims to meet its rate revenue requirements while aligning with the results from the COS analysis. The recommended rate schedule is aimed at supporting and optimizing the District's objectives, which include compliance with all legal and regulatory standards, promoting efficient water use, maintaining a cash reserve balance of \$1.6 million, and minimizing rate impacts on customers.

For SFR customers, the District will maintain a tiered rate structure, which has been structured to comply with regulatory requirements and industry standards. The following figure shows the cost components included in each single-family residential tier.

Figure 3. Cost Composition by Tier



To ensure that the tiered rate structure for SFR customers is aligned with current usage patterns, the District has adjusted the tier widths based on current use data. According to the data from RDN’s bill impact tool™, the average monthly usage for the District’s SFR customers is 12 hcf, with 95 percent of customers using less than 33 hcf per month. RDN utilized the estimated indoor usage of 5 hcf (tier 1 width) per month along with the actual usage data to develop tier widths for the proposed rates. Non-residential rates will retain a single tier of volumetric charges. Furthermore, the **Tier 1 rate has been adjusted to \$5.59 from \$6.03 by applying the District’s property tax revenue** directly. This adjustment is aimed at benefitting all the customers as the property tax can be utilized to offset any type of expenditure that the District may have to bear.

Table 2. Current vs. Proposed Rates and Tier Widths

SFR	Current Rates	Current Tier Widths	Proposed Rates	Proposed Tier Widths
Tier 1	\$5.58	5	\$5.59	5
Tier 2	\$6.34	7	\$7.25	7
Tier 3	\$8.91	33	\$9.64	21
Tier 4	\$12.22	45+	\$13.44	33+

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Table 3 shows proposed rates for the next two years for all customer classes.

Table 3. Proposed Rates for FY 2023-24 and FY 2024-25

LINE	Proposed Rates	FY 2023-24	FY 2024-25
1	Rate Adjustments		8.8%
2			
3	Single-Family Residential		
4	Tier 1	\$5.59	\$6.12
5	Tier 2	\$7.25	\$7.89
6	Tier 3	\$9.64	\$10.49
7	Tier 4	\$13.44	\$14.62
8			
9	Multi-Family Residential		
10	All Usage	\$6.98	\$7.60
11			
12	Commercial		
13	All Usage	\$6.81	\$7.41
14			
15	Private Fire Protection		
16	All Meters	\$53.22	\$57.90
17			

Note: The FY 2025-26 Tier 1 rate (Line 4) will be increased by \$0.04 in addition to the 8.8 percent rate adjustment to compensate for cumulative revenue loss incurred by applying property tax revenue directly.

Note: a rate increase of 8.8 percent will apply to Tier 2 through Tier 4 accounts, encompassing Multi-Family Residential, Commercial, and Private Fire Protection. This will result in an overall revenue adjustment of 9.0 percent.

Bill Impacts

The bill impact tool provides a helpful way for customers to understand how the proposed rates may affect their bills based on their individual water usage.

Table 4 and Figure 4 presented below illustrate hypothetical bill impacts for customers based on their water usage. Under the current rates, a customer who uses 5 hcf of water per month pays \$27.90, whereas the same customer would pay \$27.94 under the proposed rates. For a customer who uses 12 hcf of water, their bill would change

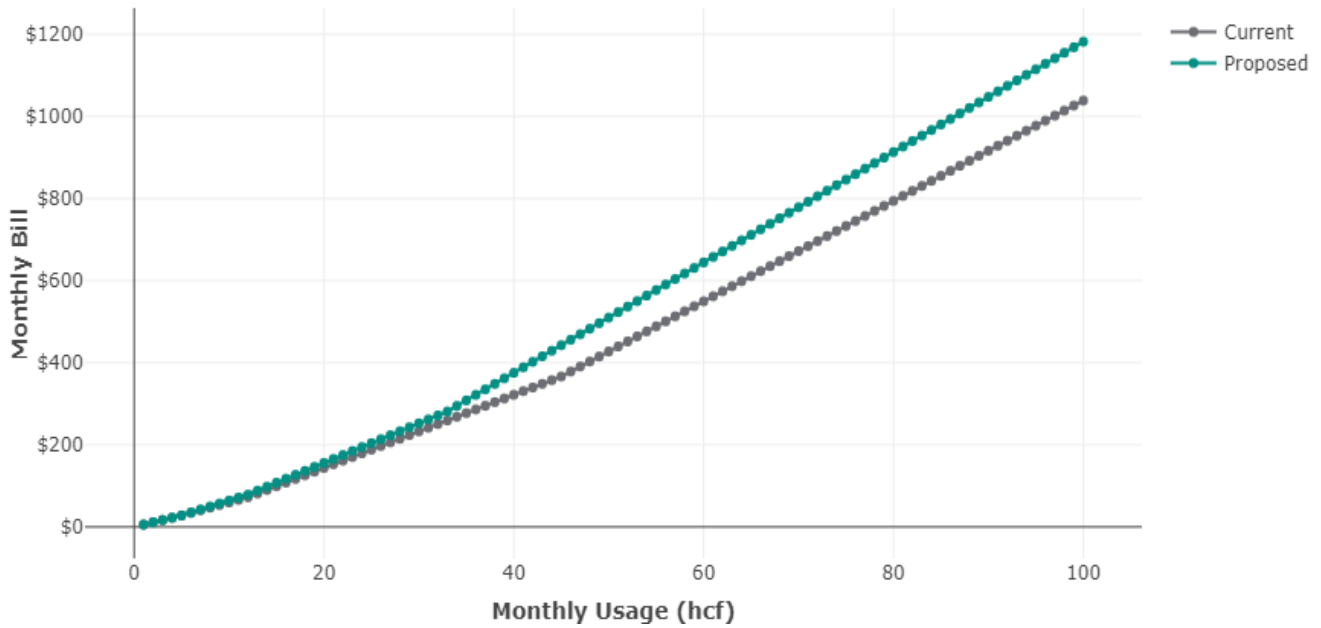
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from \$72.28 under the current rates to \$78.70 under the new rates. For a customer who uses 40 hcf of water, their bill would increase from \$321.76 under the current rates to \$375.32 under the proposed rates.

Table 4. Current vs. Proposed Rates by Usage

Usage	Current Rates	Proposed Rates
5 hcf	\$27.90	\$27.94
12 hcf	\$72.28	\$78.70
40 hcf	\$321.76	\$375.32

Figure 4. Hypothetical Customers Bill Impact by Usage



Figures 5 and 6 illustrate the bill impact on the District's customers based on their actual usage. Note that the usage data in the figure represents each customer's annual bills.

Figure 5. Scatter Plot Bill Impact by Customers' Actual Usage (Annual Bills)

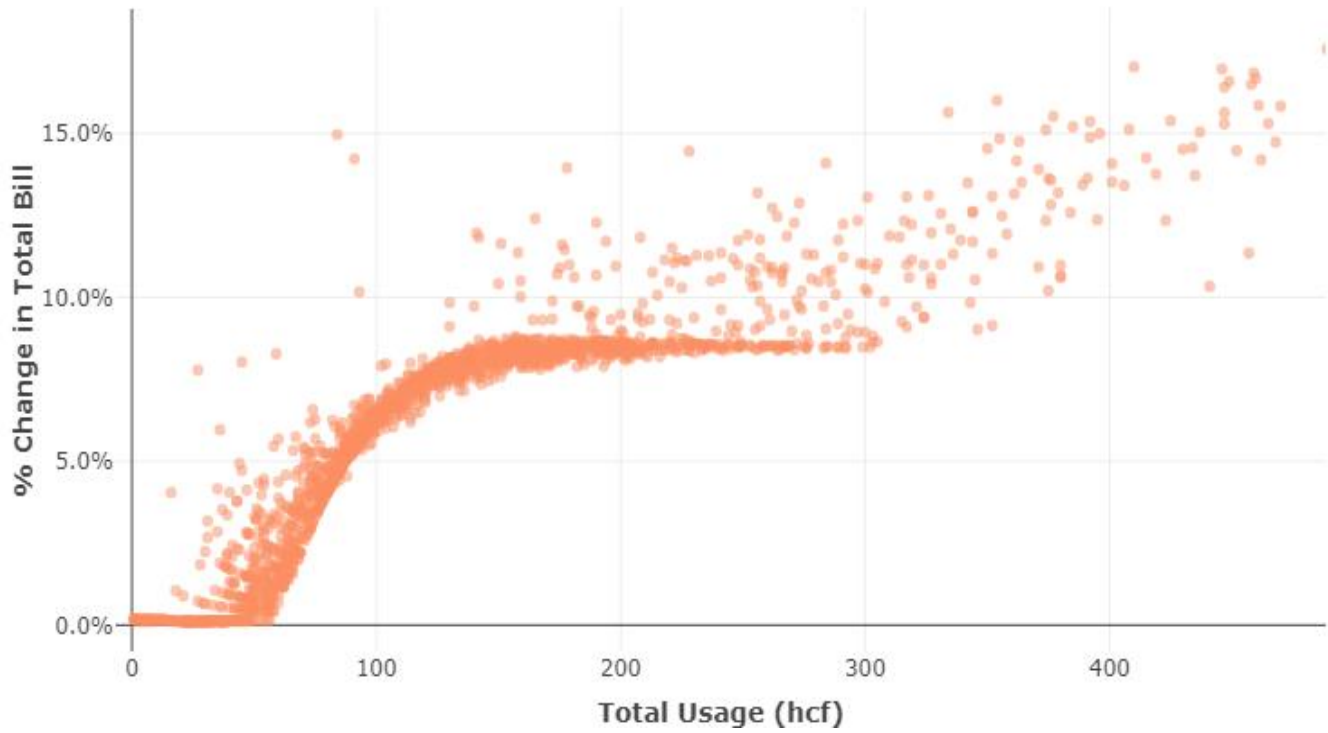


Figure 6. Distribution of Customers by Bill Change

