



Board of Directors  
Michael W. Mobley, President  
Bruce E. Dandy, Vice President  
Sheldon G. Berger, Secretary/Treasurer  
Patrick J. Kelley  
Lynn E. Maulhardt  
Edwin T. McFadden III  
Daniel C. Naumann

General Manager  
Mauricio E. Guardado, Jr.

Legal Counsel  
David D. Boyer

## **SPECIAL BOARD MEETING – BUDGET WORKSHOP**

### **MINUTES**

**Wednesday, May 27, 2020, 12:00 P.M.**

**Board Room, UWCD NEW Headquarters**

**1701 N. Lombard Street, Oxnard CA 93030**

Meeting attendees should be aware that the meetings of the Board are, as required by law, open to the public and the District has very limited powers to regulate who attends Board meetings. Therefore, attendees must exercise their own judgement with respect to protecting themselves from exposure to COVID-19, as the District cannot ensure that all attendees at public meetings will be free from COVID-19. Participation in the Board of Directors meeting was also available via Webex.

### **DIRECTORS PARTICIPATING**

President Michael W. Mobley

Vice President Bruce E. Dandy

Secretary/Treasurer Sheldon G. Berger (participating via Webex)

Director Patrick J. Kelley (participating via Webex)

Director Lynn E. Maulhardt

Director Edwin T. McFadden III (participating via Webex)

Director Daniel C. Naumann

### **STAFF PARTICIPATING**

Mauricio E. Guardado, Jr., general manager

David D. Boyer, legal counsel

Anthony Emmert, assistant general manager

Robert C. Siemak, assistant general manager (participating via Webex)

Dr. Maryam Bral, chief engineer (participating via Webex)

Brian Collins, operations and maintenance manager (participating via Webex)

Erin Gorospe, controller

Joseph Jereb, chief financial officer

Josh Perez, human resources manager

Zachary Plummer, IT services

Dan Detmer, supervising hydrogeologist (participating via Webex)

Clayton Strahan, chief park ranger (participating via Webex)

Kris Sofley, executive assistant/clerk of the board

Ambry Tibay, senior accountant (participating via Webex)

### **PUBLIC PARTICIPANTS**

John Farnkoph, HF&H Consultants, Inc. (participating via Webex)

Burt Handy (participating via Webex)

Pete Martinez, Channel Islands Beach Community Services District (participating via Webex)

Tammie Moore, Court Reporter (participating via Webex)

Thien Ng, City of Oxnard

Rick Simonson, HF&H Consultants, Inc. (participating via Webex)

Dr. Rodney Smith, Stratecon (participating via Webex)

Don Villafana, Port Hueneme Public Works

Brian Wheeler, AALRR (participating via Webex)



Prior to the start of the meeting, Mr. Plummer reviewed guidelines for the Webex meeting, instructing participants on how to mute their microphones and how to “raise their hand” using the Webex tools if they had a question. He also explained the process for the Executive (Closed) Session portion of the meeting and asked if anyone had any questions. No questions were offered.

President Mobley asked the Clerk of the Board to take roll call for the Directors, which she did, and reported that four Directors (Dandy, Maulhardt, Mobley and Naumann) were present in the Boardroom and three Directors (Berger, Kelley, and McFadden) were participating via Webex.

Director Maulhardt suggested that since it may be difficult to distinguish voices, that everyone state their name before speaking during the meeting. President Mobley concurred and asked that all participants state their names before speaking.

### **1. FIRST OPEN SESSION 9:05a.m.**

President Mobley called the meeting to order at 9:05am.

#### **1a. Public Comments**

President Mobley asked if there were any public comments at this time. None were offered

### **2. EXECUTIVE (CLOSED) SESSION**

President Mobley adjourned the meeting into Executive session at 9:10a.m.

#### **2a. Conference with Legal Counsel-Existing Litigation**

Pursuant to Government Code Section 54956.9 (d)(1)

- A. Wishtoyo Foundation, et al v. United Water Conservation District, U.S. District Court for the Central District of California, Case No.2:16-cv-03869 GHK (PLAx)

### **3. SECOND OPEN SESSION**

President Mobley opened the Second session of the Board meeting at 9:40a.m. and asked District’s legal counsel to report on the actions taken by the Board in Executive session.

#### **3a. Reporting out of Executive (Closed) Session**

District’s Legal Counsel David D. Boyer stated that the Board took no action in Executive session that would be reportable under the Brown Act.

#### **3b. FY 2020-21 Proposed Budget Workshop**

##### **Motion**

President Mobley invited UWCD’s Chief Financial Officer Joseph Jereb to the podium to begin the presentations and discussions regarding the District’s [Proposed FY 2020-21 Budget](#).

Mr. Jereb provided a presentation to the meeting participants (see attached) which included projections that the District would finish out FY2019-20 with 4% below projected pumping volumes, which reduces projected revenue by \$700,000; higher surface water deliveries which added some \$400,000 to pipeline revenues.



Looking forward to FY 2020-21, Mr. Jereb reported that legal costs and regulatory requirements including the Freeman Diversion alternative fish ladder designs, continued litigation and the ongoing development of the District's Multiple Species Habitat Conservation Plan will raise operating expenses. Other areas contributing to an increase in operating expenses include capital improvement projects such as the Santa Felicia Dam Outlet Works, Maximum Probable Flood containment, and fish passage studies in addition to license and other FERC related compliance; federal and state advocacy, public education and outreach, and legal expenses. Additionally, personnel costs will increase by 4.5%, including a 2% cost of living increase mandated by the District's Memorandum of Understanding with the Service Employees International Union.

The proposed budget for FY 2020-21 recommends an increase in groundwater rates for Zone A and B while Oxnard Hueneme Pipeline users will see slightly lower rates; Pumping Trough Pipeline customers will have a \$100 increase in fixed rate costs; there is \$10.9 million in Capital Improvement Project costs budgeted and \$10 million in carry-over from FY 2019-20; \$7.5 million planned for new debt and refinancing of existing debt at projected lower interest rates.

Proposed groundwater rates will increase by \$2.71 per acre foot for Zone A agricultural customers and \$8.13 per acre foot for Zone A municipal and industrial users; Zone B rates will increase by \$2.37 per acre foot for agricultural users and increase by \$7.10 per acre foot for municipal and industrial users. Oxnard Hueneme pipeline customers' fixed rates will be reduced by \$2,412 and variable rates will be down \$9.33; Pumping Trough pipeline customers' fixed rates will increase by \$100; and Pleasant Valley pipeline customers' fixed rate will be reduced by \$15,750. The District's special assessment rate to finance Supplemental Water purchases has been increased to \$2.30 per acre foot for agricultural users and \$6.90 per acre foot for municipal and industrial users, which is estimated to generate \$500,000 annually.

The District's \$7.5 million in debt financing represents \$2.3 million for the Santa Felicia Dam Safety Improvement projects (Spillway and Outlet Works); \$2.2 million for the Iron and Manganese Water Treatment project; \$900,000 for backup emergency generators; \$900,000 for Brackish and Recycled water projects; \$700,000 for SCADA upgrades and \$300,000 to complete the Pumping Trough pipeline metering project.

Mr. Jereb also explained that staff is recommending a change to the District's financial policies, adding a new groundwater statement revision policy that will limit customers' request to revise past statements to the last five years and customers must provide evidence validating the need for revision. The resulting invoiced or credited amount will be due or payable within 30 days of the District's approval of the revision. If a request for a revision of a groundwater statement is more than 12 months after the original billing period or the adjustment amount is greater than \$5,000, the Board must approve the request.



Director Maulhardt asked Mr. Jereb if the two items requiring Board approval were “and” or were they “or” situations. Mr. Jereb answered that they were “or” situations. Mr. Jereb added that on average, the District receives two statement revision requests per year and most are regarding accounts that have already been paid. Director Maulhardt then asked if it were possible to assess an administrative fee for collection services in addition to interest on past due balances. Mr. Jereb said he would look into that.

President Mobley asked if the Board had any more questions or comments for Mr. Jereb. None were offered.

President Mobley invited Rick Simonson of HF&H to make its presentation, but due to some technical difficulties, it was decided that Dr. Smith of Stratecon would present first and provide HF&H with some time to correct the issues they were having with audio.

Dr. Rodney Smith of Stratecon, Inc., presented his Analysis of the Structure of the District’s Proposed Groundwater Extraction Charges for FY 2020-21 (see presentation attached). Dr. Smith reminded the Board that he has been providing analysis of the District’s groundwater extraction charges since 2013 and that his quantitative method to determine the ratio of groundwater extraction charges for non-agricultural users (municipalities and industrial or M&I) to agricultural users (Ag) has remained consistent over that time. Dr. Smith said that he focuses on the differential hydrological impact of M&I and Ag groundwater usage and land use on the eight interconnected basins within the District’s boundaries. He studies how differential hydrological impact creates a need for replenishment projects and activities from the District and how the rate structure should reflect these differences.

Dr. Smith continued by explaining the economic principles of rate structure based on the District’s water objectives and sources of revenues and costs, using three principles including Components of fee for water user class; variable cost component based on impact of pumping on overdraft; and the fixed cost component based on apportionment rules and that these principles are consistent with cost of service and rate-making principles. Dr. Smith addressed the District’s cost of replenishment through both projects and activities and compared those to other water initiatives in Ventura County. He explained the assumptions of groundwater extraction revenue requirements, groundwater pumping for both Ag and M&I, and hydrologic conditions as well as the amount of agricultural acreage versus M&I acreage. Dr. Smith then showed a chart that depicted the District’s groundwater extraction charges under alternative assumptions for proportion of rainfall/runoff beneficially recharging the basins to determine various ratios and concluded that a ratio of at least 3.0 for M&I to Ag groundwater extraction charges reasonably reflects the quantitative differences between the hydrological impacts of groundwater use and land use by the different groundwater user classes on the District’s replenishment obligation.

President Mobley asked if the Board had any questions or comments for Dr. Smith. None were offered. He then asked if there were any questions or comments from the public. None were offered.



President Mobley asked HF&H's Rick Simonson if he was ready. Mr. Simonson apologized for the technical difficulties experienced earlier and said that John Farnkopf was also online in case anyone had questions about the cost of service analysis presentation (see attached) or report submitted by HF&H.

Mr. Simonson said that HF&H doesn't provide the District with guidance on special costs ratio and historically, the District has always elected to use the lowest ratio in setting rates. He said today's presentation focused on the proposed 2020-21 results today specific to services for Zone A and Zone B. He explained that in preparing its analysis, HF&H looks at the cost categories and classifications and cost of service allocations and summarizes results for the costs of service to Ag and M&I and the ratio of M&I to Ag costs. He said the District Act specifies a range for setting groundwater extraction charges, recognizing the District provides service to two classes of pumpers: municipal and industrial (M&I) and agricultural (Ag) and that the act requires that M&I extraction charges must exceed Ag charges by at least 3 times but no more than 5 times the amount.

Mr. Simonson explained the purpose of cost of service analysis as well as the standard steps taken to analyze the costs of service. He said the cost categories – replenishment, reliability and regulatory compliance correspond to the District's core services. HF&H examines the District's budget relating to Zones A and B as well as costs by category and develops an allocation factor based on proportionate to net extractions from the basin, basin safe yield and overdraft. The summary of cost of service analysis and composite ratio confirms a 3 to 1 ratio for the FY 2020-21 rates and that the firm's methodology is consistent over the past several years that they have been providing this service to the District.

President Mobley asked if there were any questions. Director Maulhardt said that the process the District goes through benefits all customers across all business lines, has been affirmed by the Courts and for the past seven or eight years these consultants have confirmed that the District has been doing it correctly for 75 years and that he thanks HF&H and Dr. Smith for their support in providing these analysis.

President Mobley recognized Dr. Smith. Dr. Smith said that he had neglected to mention that the District is on the right side of history as it has always included hydrologic data regarding land and water use and how certain types of land use impact water management. Dr. Smith continued stating that in the 21<sup>st</sup> century the evidence that hydrologic conditions are impacted by how land and water is used – runoff, recharge, and that this understanding is now a very real part of resource management.

President Mobley asked if there were any other comments or questions. Thien Ng from the City of Oxnard asked to read a brief statement. He said that Mayor Flynn had sent a letter to the District requesting it suspend any rate increases due to the economic downturn resulting from the COVID-19 pandemic. The City of Oxnard has experienced lost tax revenue due to business closures, has experienced high levels of unemployment and that 40% of the City's



population is already living at low or very low income levels. He added that the City last adjusted its water rates in 2018 and has absorbed subsequent increases from United Water and Calleguas within the City's existing budget. The City has also suspended water shut offs for delinquent payment. Mr. Ng then asked if he could ask a question about the budget and asked Mr. Jereb if the District had considered the Fox Canyon GMA allocation cutbacks when preparing the budget. Mr. Jereb replied that every year the District forecast groundwater extraction volumes it considers potential Fox Canyon GMA allocation changes but, in actuality, the biggest variables are rainfall and cropping patterns. Mr. Jereb said he understands Fox Canyon GMA sets targets for safe yield but, for the coming fiscal year, the short answer is no, staff considered weather and the economy but not Fox Canyon GMA allocations.

Director Naumann said that staff needs to consider the allocations and other guidelines being developed by the Fox Canyon GMA, which covers Zone A and Zone B including the City of Oxnard, and all the GSAs, including Fillmore Piru and Mound, in the County.

President Mobley asked if there were other comments or questions. Director Maulhardt said that the assumption is that staff is recommending to move forward on the budget and that the Board's final decision to adopt the budget and established the groundwater rates will be made at the June 10 Board meeting and conclude the Public Hearing. Director Maulhardt then made a motion to recommend that the Board move the budget as presented publicly for final adoption at its June 10 meeting. Director Dandy seconded the motion.

Director Naumann asked if the budget had been presented to the OH and PTP users and Pleasant Valley County Water District. Mr. Guardado responded that staff reached out to the various user groups, including OH and PTP pipeline customers and the City of Santa Paula, and were consistent with the distribution of invitations and follow-up calls for these meetings and presentations.

President Mobley asked if there were any more questions or comments. None were offered. He then asked the clerk to take a roll call vote on the Motion presented by Director Maulhardt and seconded by Director Dandy. The roll call vote resulted in seven yes votes (Berger, Dandy, Kelley, Maulhardt, McFadden, Naumann, Mobley), approving the motion to present the proposed FY 2020-21 budget as presented for full Board approval at the conclusion of the Groundwater Hearing at the June 10 Board of Directors meeting unanimously.

President Mobley said the next step will be at the Public Hearing during the June 10 UWCD Board of Directors meeting. And that this concluded the Budget Workshop and he thanked John Farnkopf and Rick Simonson of HF&H and Dr. Smith of Stratecon.



**4. ADJOURNMENT 11:10 a.m.**

President Mobley adjourned the meeting to the Regular Board Meeting of Wednesday, June 10, 2020 at 11:10a.m.

I certify that the above is a true and correct copy of the minutes of the UWCD Special Board of Directors meeting – Budget Workshop of May 27, 2020.

ATTEST:

A handwritten signature in blue ink, appearing to read 'Sheldon G. Berger', is written over a horizontal line.

Sheldon G. Berger, Secretary/Treasurer

ATTEST:

A handwritten signature in blue ink, appearing to read 'Kris Sofley', is written over a horizontal line.

Kris Sofley, Clerk of the Board



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General Manager  
 Mauricio E. Guardado, Jr.

Legal Counsel  
 David D. Boyer

# ATTENDANCE LIST

**MEETING DATE: Wednesday, May 27, 2020**

**MEETING: UWCD Special Board of Directors Meeting- Budget Workshop**

The signing or registering of your name on this sign-up form is not required but is voluntary. All persons may attend the meetings of the Board of Directors of United Water Conservation District without signing or registering their names on this form.

Name (Please Print)

Representing

DON VILLAFANA

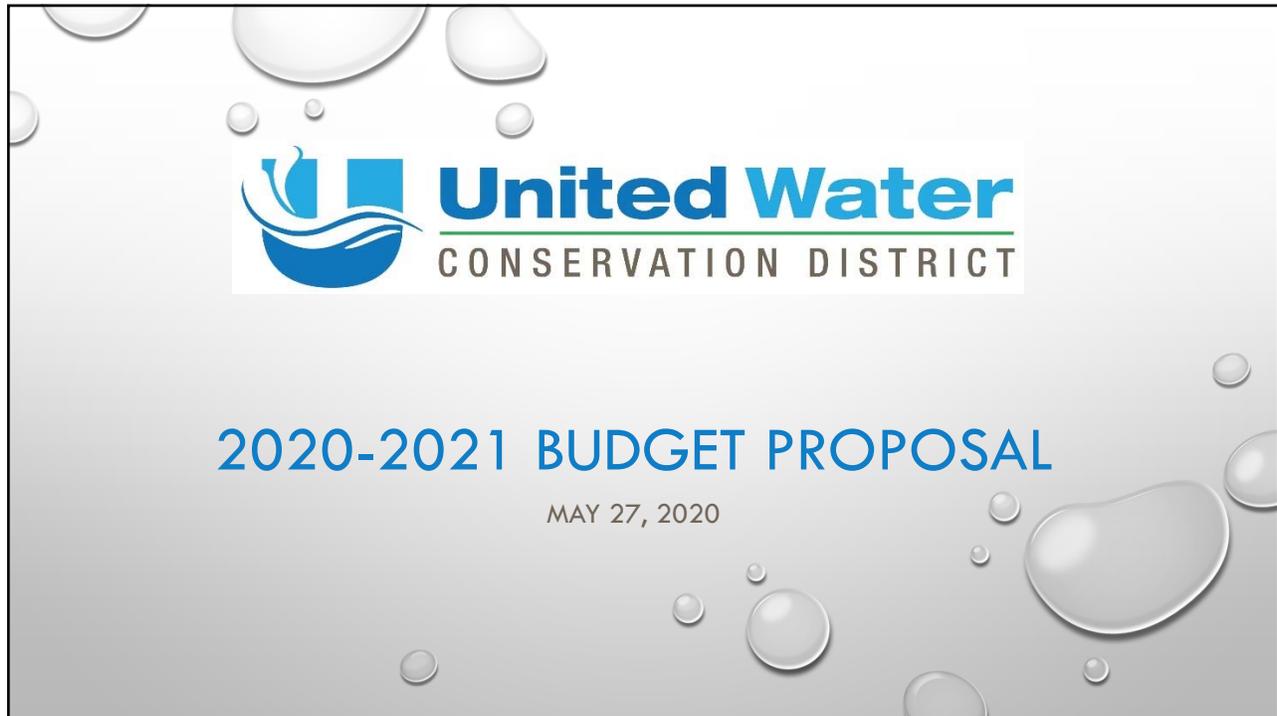
CITY OF PORT HUENEME & PHWA

Pete Martinez

CIBCS D

Thien Ng

Oxnard



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## FY19-20 PROJECTED FINISH

### OPERATING REVENUE IN LINE WITH PLAN—OPEX AHEAD ON LEGAL EXPENSE

<i>in \$000's</i>	FY18-19 <b>Actual</b>	FY19-20 <b>Budget</b>	FY19-20 <b>Projected Finish</b>	<i>Projection vs Budget</i>	<i>Projection vs PY</i>
Taxes	5,536	4,496	4,475	0%	-19%
Water Delivery/Fixed Cost	8,573	9,439	9,855	4%	15%
Groundwater	10,887	15,191	14,518	-4%	33%
Other	6,918	10,963	9,939	-9%	44%
Water Purchase Surcharge	-	555	542	-2%	
<b>Total Revenue</b>	<b>31,914</b>	<b>40,644</b>	<b>39,328</b>	<b>-3%</b>	<b>23%</b>
Personnel Expense	6,521	7,210	6,635	-8%	3%
Operating Expense	10,691	11,252	12,742	13%	22%
Allocated Overhead	3,923	4,454	4,589	3%	1%
Debt Service	1,858	2,777	2,504	-10%	2%
Other	13,903	15,937	14,606	-8%	5%
<b>Total Expenditure</b>	<b>36,896</b>	<b>41,630</b>	<b>41,077</b>	<b>-1%</b>	<b>10%</b>

- H1 ACTUAL AND H2 PROJECTED PUMPING VOLUMES 4% BELOW PLAN;
- FY VOLUME DEFICIT VS PLAN REDUCES PROJECTED REVENUE BY \$0.7M
- HIGHER VOLUMES, PARTICULARLY OH AND SURFACE WATER DELIVERIES TO PVP ADD >\$400K TO PIPELINE REVENUE
- OPEX INCREASE DRIVEN BY LEGAL AND OUTREACH EXPENSE
- PACE OF CAPITAL PROJECTS REDUCES CIP AND DEBT SERVICE EXPENSE FROM PLAN

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## FY20-21 OPERATIONAL OUTLOOK

### LEGAL AND REGULATORY ISSUES CONTINUE TO DEMAND FINANCIAL RESOURCES AND MANAGEMENT TIME

- FREEMAN FUND REGULATORY REQUIREMENTS DRIVE CIP AND OPERATING EXPENSE
  - CIP—60% DESIGN PHASE INCLUDING UP TO 2 PHYSICAL MODELS OF FISH LADDER--\$3.8M\*
  - LEGAL—CONTINUED HEARINGS ON INJUNCTION -\$1.4MK
  - EPCD—CONTINUED DEVELOPMENT OF HCP--\$845K
- FERC, DSOD OCCUPY ENGINEERING AND EPCD RESOURCES
  - ENGINEERING—LICENSE COMPLIANCE—\$250K OPEX + \$4.6M\* CIP OUTLET WORKS AND MPF CONTAINMENT
  - EPCD—SFD FISH PASSAGE STUDY--\$500K; \$100K OTHER FERC-RELATED COMPLIANCE; \$125K QUAGGA CONTROL
- INCREASED LEGISLATIVE OUTREACH AND PUBLIC INFORMATION EFFORTS TO MANAGE DYNAMIC LEGAL/REGULATORY ENVIRONMENT
  - FEDERAL AND STATE ADVOCACY--\$300K; PUBLIC EDUCATION AND OUTREACH--\$375K
  - LEGAL EXPENSE, EXCLUDING LEGAL RESERVE--\$740K
- HEADCOUNT—ADDITIONS O&M TECHNICIAN AND PART-TIME GSA ACCOUNTANT
  - 2% COLA INCREASE AS MANDATED BY MOU
  - OVERALL PERSONNEL COST INCREASE 4.5%

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## FY20-21 BUDGET HIGHLIGHTS

### MOVING FORWARD

- **PROGRESS ON SUSTAINABILITY PROJECTS**
- **ADDRESSING REGULATORY ENVIRONMENT**
- **MANAGING LEGAL CHALLENGES**

- INCREASED GROUNDWATER RATES FOR ZONE A&B
- OH PIPELINE FUND BALANCES RESULT IN LOWER RATES
- METERING AND GENERATOR PROJECTS PUSH PTP RATES UP \$100/CAPACITY UNIT
- \$7.5M PLANNED FOR NEW DEBT + REFINANCE EXISTING DEBT
- BUDGETED CIP \$10.9M + \$10.0M IN CARRY-OVER FROM FY'19-20
- 1 FTE IN O&M, 1 PTE IN FINANCE. PENSION COSTS DRIVE 4.5% INCREASE IN PERSONNEL EXPENSE

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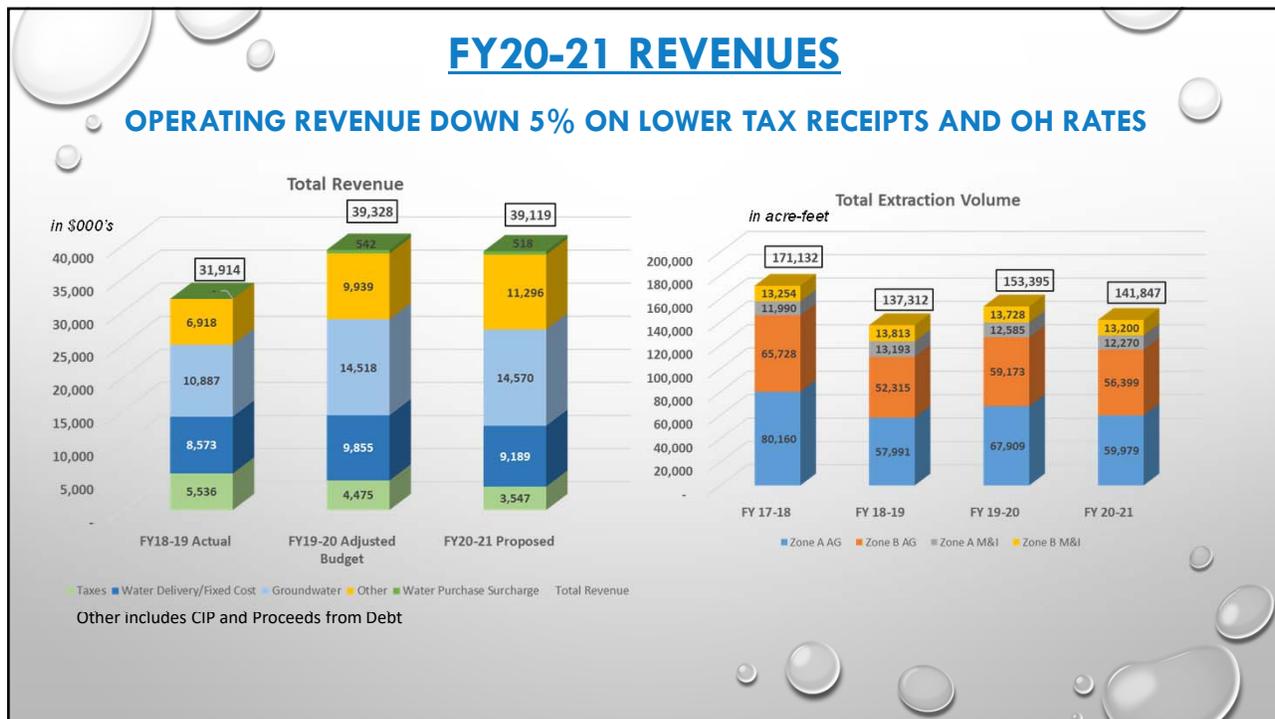
## FY20-21 BUDGET OVERVIEW

### REVENUE FLAT ON LOWER VOLUMES—LEGAL RESERVE INCREASES OPEX

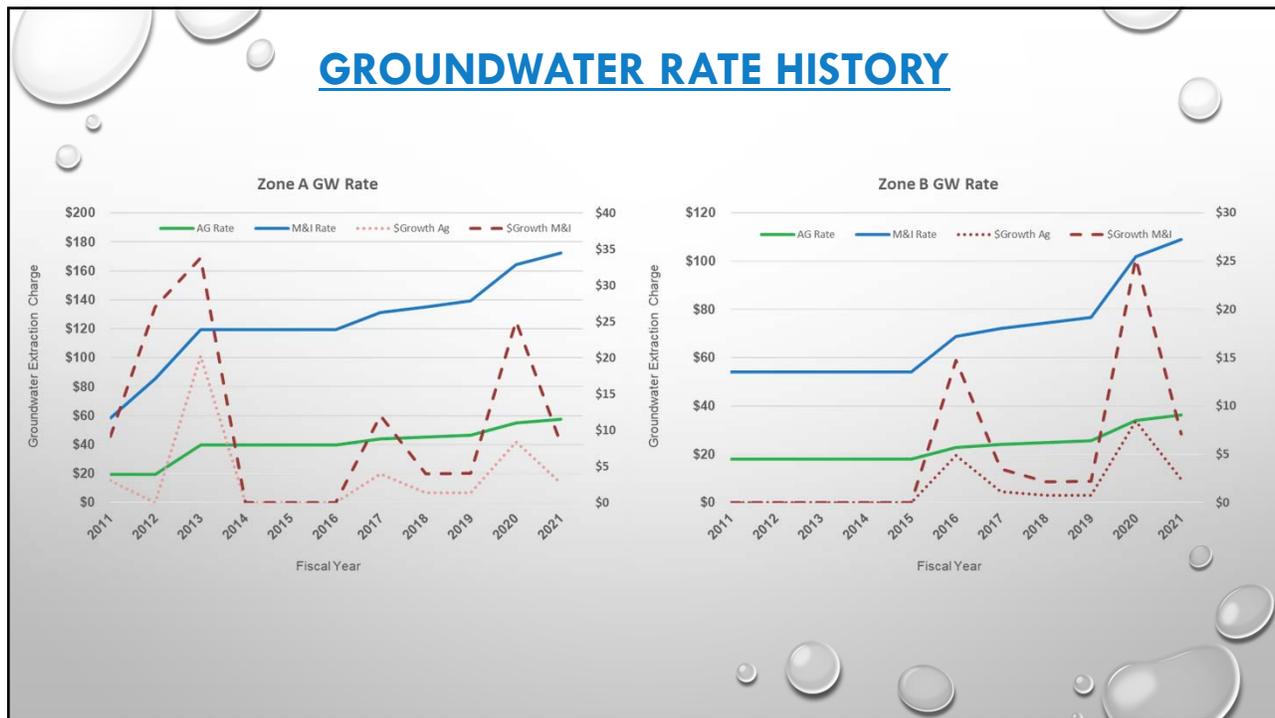
in \$000's	FY19-20 Actual	FY19-20 Projected Finish	FY20-21 Proposed	Budget vs CY Projection	Budget vs FY18-19
<b>Beginning Balance</b>	24,130	20,440	20,218	-1%	-16%
Taxes	5,536	4,475	3,547	-21%	-36%
Water Delivery/Fixed Cost	8,573	9,855	9,189	-7%	7%
Groundwater	10,887	14,518	14,570	0%	34%
Other	6,918	9,939	9,771	-2%	41%
Water Purchase Surcharge	-	542	518	-4%	0%
<b>Total Revenue</b>	<b>31,914</b>	<b>39,328</b>	<b>37,595</b>	<b>-4%</b>	<b>18%</b>
Personnel Expense	6,521	6,635	6,805	3%	4%
Operating Expense	10,691	12,742	13,073	3%	22%
Allocated Overhead	3,923	4,589	4,638	1%	18%
Debt Service	1,858	2,504	2,853	14%	54%
Other	13,903	14,606	13,583	-7%	-2%
<b>Total Expenditure</b>	<b>36,896</b>	<b>41,077</b>	<b>40,952</b>	<b>0%</b>	<b>11%</b>
<b>Ending Balance</b>	<b>20,440</b>	<b>20,218</b>	<b>19,578</b>	<b>-3%</b>	<b>-4%</b>

- H1'19-20 PUMPING VOLUMES 6% BELOW PLAN; MORE CONSERVATIVE VOLUME PLANNED FOR FY20-21
- REDUCTION IN VOLUME OFFSETS MODEST INCREASE IN GW RATES
- DECREASE IN OH PIPELINE RATES DRIVES WATER DELIVERY REVENUE DOWN
- LEGAL RESERVE DRIVING OPEX UP >20%
- FY20-21 ALL FUNDS TO REMAIN ABOVE MINIMUM BALANCE WITH EXTERNAL DEBT AND INTERFUND LOANS

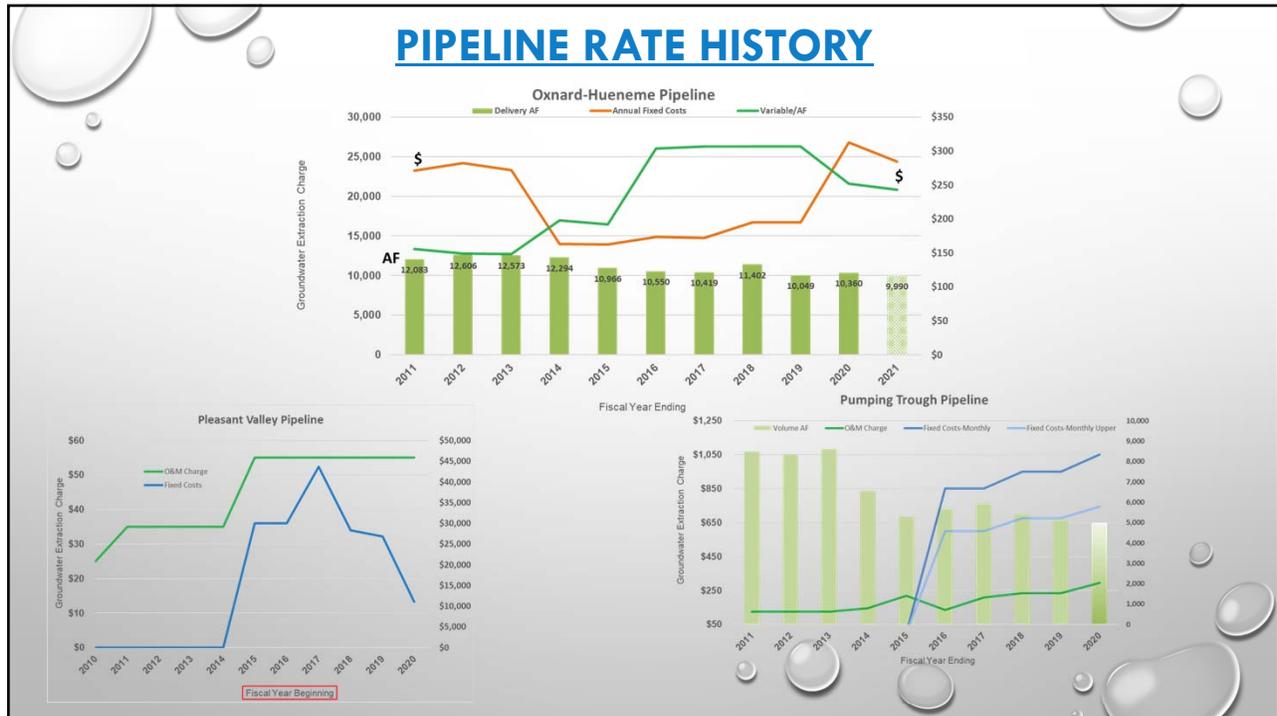
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## CURRENT PROPOSAL

### BLEND OF NEW DEBT AND RATE INCREASES

- **GROUNDWATER**
  - ZONE A RATES UP \$2.71 AND \$8.13 FOR AG AND M&I
  - ZONE B RATES UP \$2.37 AND \$7.10 RESPECTIVELY
- **PIPELINE**
  - OH FIXED DOWN \$2,412; VARIABLE DOWN \$9.33
  - PTP FIXED UP \$100
  - PVP FIXED DOWN \$15,750
- **SPECIAL FUND TO FINANCE SUPPLEMENTAL WATER**
  - \$2.30 AND \$6.90/AF FOR AG AND M&I GENERATES \$500K ANNUALLY
- **DEBT FINANCE \$7.5M**
  - SFD OUTLET/PMF--\$2.3
  - IRON/MANGANESE--\$2.2M
  - BACKUP GENERATORS--\$0.9M
  - BRACKISH/RECYCLED WATER--\$0.9M
  - SCADA UPGRADE--\$0.7M
  - PTP METERING--\$0.3K

**Groundwater Extracn Charge RATES**

	Current	Proposed	\$ change
Extraction- Zone A - AG	\$ 54.79	\$ 57.50	\$ 2.71
Extraction- Zone A - M&I	\$ 164.37	\$ 172.50	\$ 8.13
Extraction- Zone B - AG	\$ 33.93	\$ 36.30	\$ 2.37
Extraction- Zone B - M&I	\$ 101.80	\$ 108.90	\$ 7.10

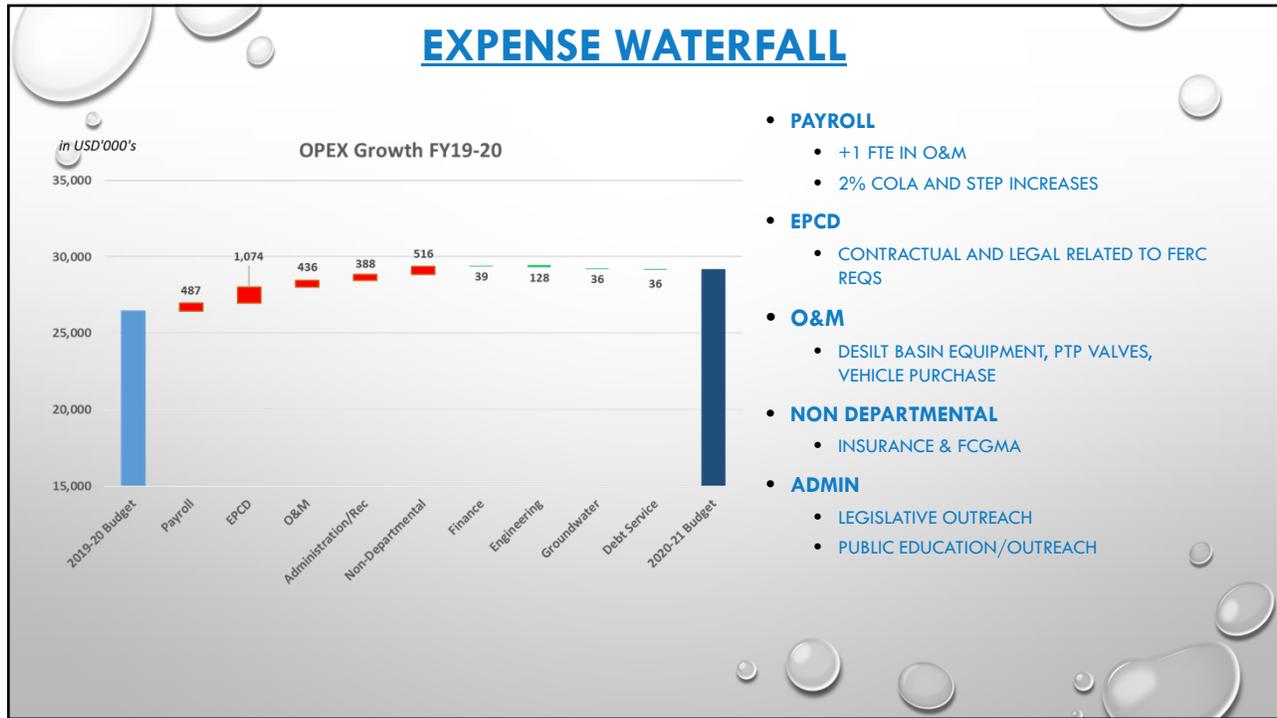
**Pipeline Charges (per Acre Foot):**

(\$)	O/H Pipeline <sup>1,2</sup>		\$ Change
	FY 2020-21	FY 2019-20	
Variable Rate O&M Charge/ Variable Charge	242.70	252.03	(9.33)
Marginal Rate O&M Charge	152.25	152.25	0.00
Unrecovered Variable Charge <sup>3</sup>	242.70	252.03	(9.33)
Fixed Costs/ Fixed Charge - Per Unit of Capacity	24,389.00	26,801.00	(2,412.00)
Fixed Well Replacement Charge <sup>5</sup>	13.14	13.14	0.00
GMA Pump Charge <sup>8</sup>	20.00	17.00	3.00

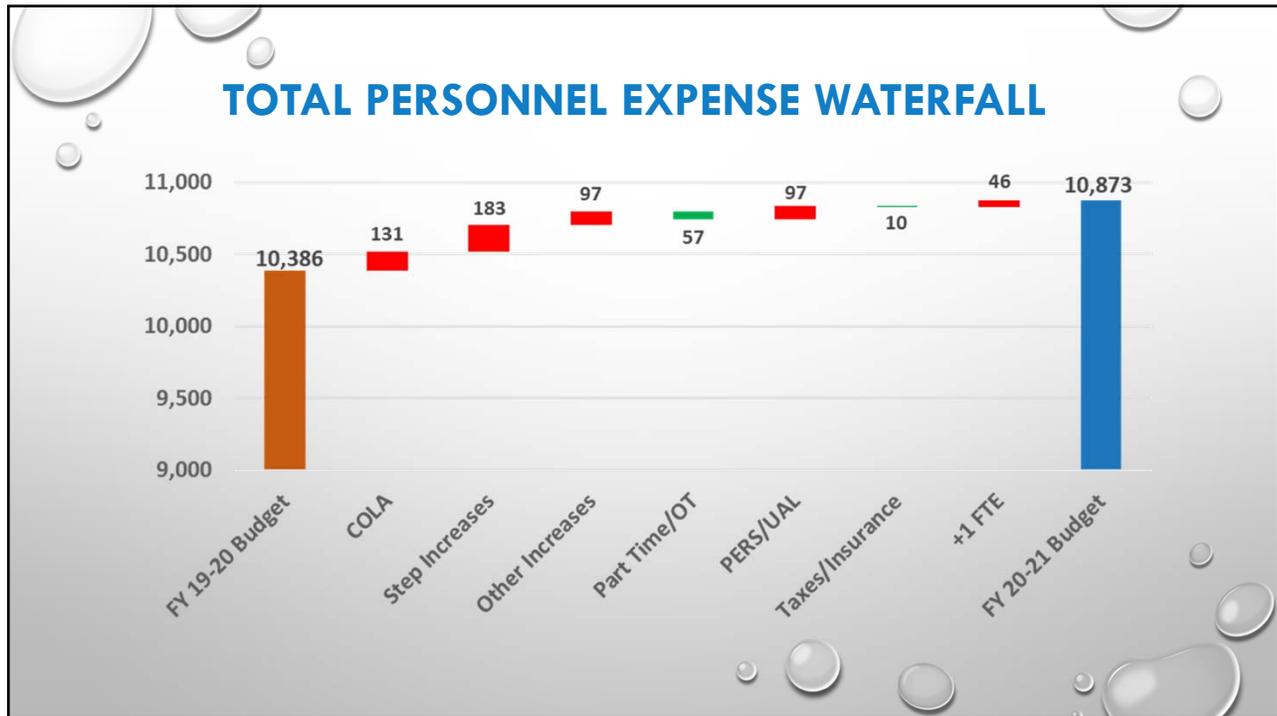
  

(\$)	PT Pipeline <sup>2</sup>			\$ Change
	FY 2015-16	FY 2020-21	FY 2019-20	
Fixed Costs/ Fixed Charge - Per Unit of Capacity	850.00	1,050.00	950.00	100.00
Fixed Well Replacement Charge <sup>5</sup>				
GMA Pump Charge <sup>8</sup>	10.00	20.00	17.00	3.00

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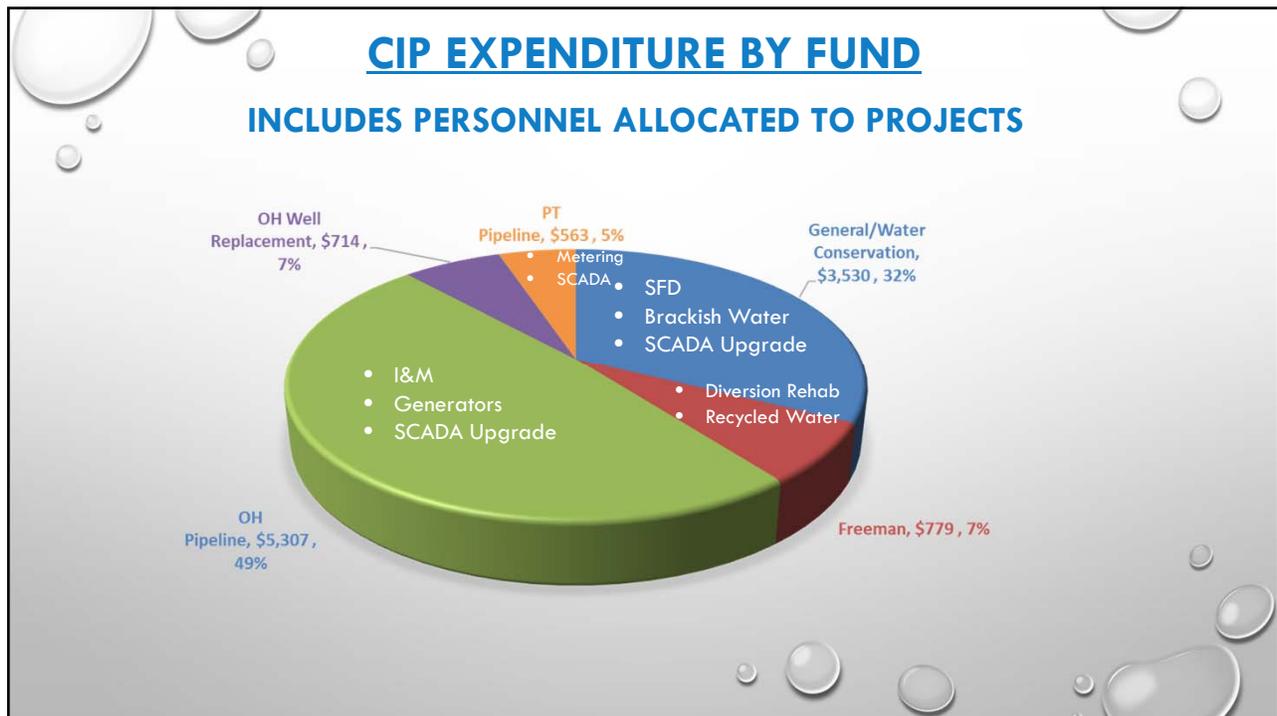
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### CIP EXPENDITURE BY PROJECT

INCLUDES PERSONNEL ALLOCATED TO PROJECTS

Description	Prior Year Carryovers	Budget FY 2020-21	Est. FY 2020-21 Spend	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-thereafter	Total Project Cost
OHP Iron and Manganese Treatment Removal	10	4,039	4,049	4,475	-	-	-	9,655
Freeman Diversion Rehab	3,688	77	3,765	4,400	41,300	19,300	-	73,453
SFD Outlet Works Rehab	1,003	1,297	2,300	2,765	18,828	22,153	4,603	53,390
SFD PMF Containment	1,239	1,052	2,291	1,568	1,653	2,256	32,130	42,520
Well Replacement Program	876	714	1,590	-	-	-	-	1,590
OH System Emergency Generator	-	909	909	-	-	-	-	909
Grand Canal	790	20	810	-	-	-	-	810
Ferro-Rose Recharge	790	13	802	5,240	24,700	-	-	31,849
PTP Turnout Metering System	209	442	652	295	-	-	-	1,755
Recycled Water Groundwater Replenishment and Reuse Program	-	519	519	476	2,523	5,195	-	8,714
Coastal Brackish Water Treatment Plant	-	340	340	1,483	4,056	4,032	144,697	154,667
All Other Projects	1,338	1,473	2,812	1,717	3,832	5,845	-	15,639
<b>TOTAL AMOUNT PER YEAR</b>	<b>9,942</b>	<b>10,896</b>	<b>20,839</b>	<b>22,419</b>	<b>96,891</b>	<b>58,781</b>	<b>181,431</b>	<b>394,951</b>

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## CIP OTHER NOTES

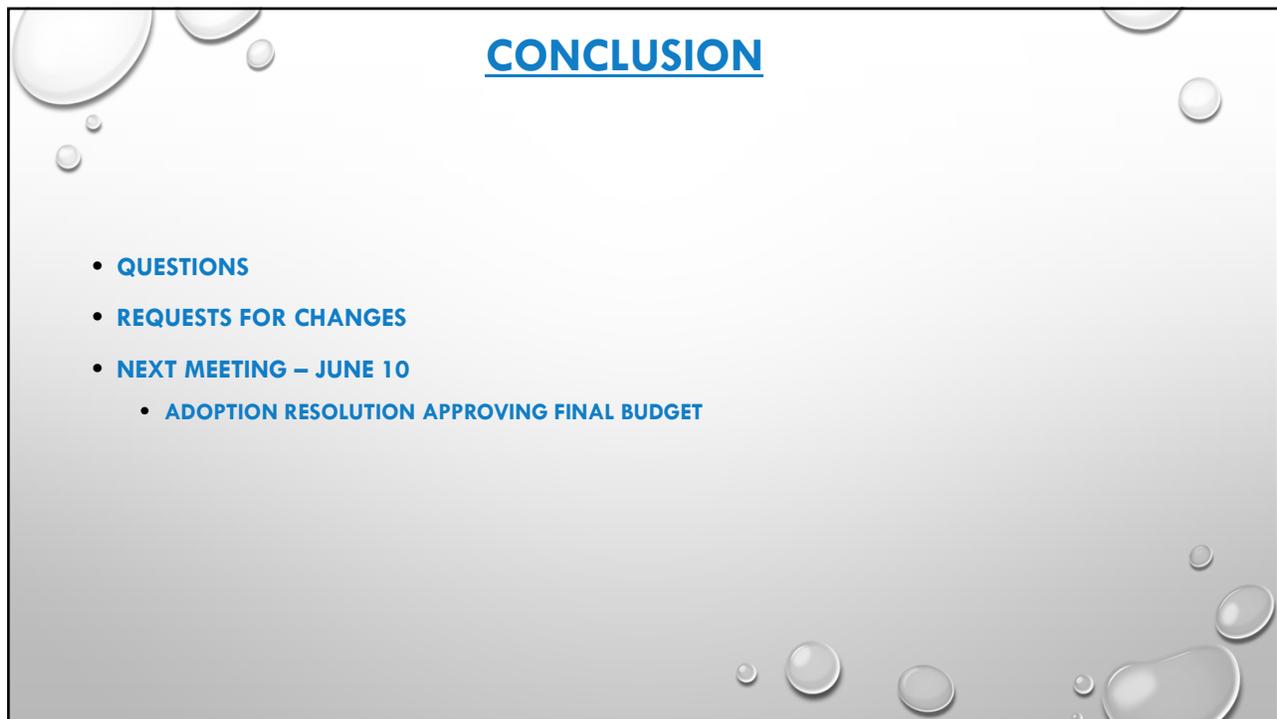
- **DEBT**
  - **\$7.5M OF NEW DEBT TO FINANCE DAM AND DIVERSION, I&M, GENERATORS, PTP METERING ASSUMPTIONS**
  - **30 YEAR TERM**
  - **6 MONTHS OF BORROWING IN FY20-21 WITH NO PRINCIPAL PAYMENT**
  - **~3% INTEREST**
  - **DEBT TO BE RETIRED AS GRANTS REALIZED**
  - **NO DEBT FINANCING OF OPERATIONAL COSTS**

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## POLICY-CHANGE PROPOSALS

- **GROUNDWATER STATEMENT REVISION POLICY**
  - 5-YEAR LIMIT
    - STATEMENTS MORE THAN FIVE YEARS OLD WILL NOT BE REVISED
  - OPERATOR REQUIREMENTS
    - MUST PROVIDE EVIDENCE SHOWING NEED FOR REVISION
    - WILL BE INVOICED/CREDITED AS APPROPRIATE, PAYABLE WITHIN 30 DAYS OF DISTRICT APPROVAL
  - BOARD APPROVALS
    - >12 MONTHS FROM ORIGINAL BILLING PERIOD
    - >\$5,000 TOTAL ADJUSTMENT

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## CONCLUSION

- **QUESTIONS**
- **REQUESTS FOR CHANGES**
- **NEXT MEETING – JUNE 10**
  - **ADOPTION RESOLUTION APPROVING FINAL BUDGET**

 STRATECON  
INC.

Rodney T. Smith, Ph.D. President

**Reasonable Ratio of M&I to AG  
Groundwater Extraction Charges  
FY 2020-2021**

United Water Conservation District  
Oxnard, CA  
May 27, 2020

1

**Statement of Question**

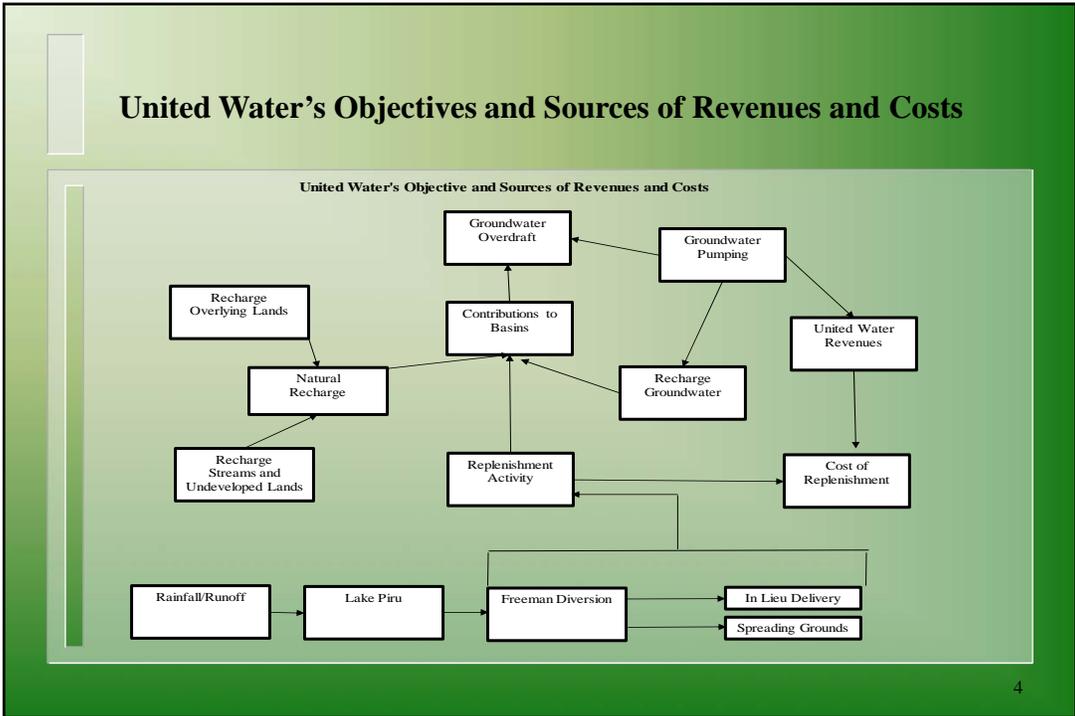
- Develop a quantitative method to determine a reasonable ratio of groundwater extraction charges Municipal & Industrial (“non-agricultural”) water to agricultural (“AG”) water
  - ❑ Focus on the differential hydrological impact of M&I and AG groundwater usage and land use on the eight inter-connected basins within United
  - ❑ How differential hydrological impact creates a need for replenishment projects and activities from United
  - ❑ How the rate structure should reflect these differences

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# Economic Principles of Rate Structure

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### Principle 1: Components of Fee for Water User Class

- Fee = Variable Cost Component + Fixed Cost Component
- Variable Cost Component: replenishment costs that vary with the volume of replenishment projects and activities (estimated @ 10% of total replenishment costs)
- Fixed Cost Component: replenishment costs that do not vary with the volume of replenishment projects and activities (estimated @ 90% of total replenishment costs)

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### Principle 2: Variable Cost Component Based on Impact of Pumping on Overdraft

- Impact of pumping on overdraft: pumping less groundwater reuse
  - AG Variable Cost Component: 74.2% of variable cost
  - M&I Variable Cost Component: 86.2% of variable cost

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### Principle 3: Fixed Cost Component based on apportionment rules

- Rule 1: apportion fixed cost according to relative demands water user class places on United for replenishment projects and activities
  - ❑ Share based on groundwater pumping adjusted for reuse
- Rule 2: credit water user class based on amount of differential rainfall and runoff on overlying lands relative to districtwide average
  - ❑ Differential rainfall and runoff per acre: AG (0.09 AF/acre); M&I (-0.16 AF/acre) adjusted by portion of recharge that benefits the inter-connected basins
  - ❑ Annual cost of replenishment projects and activities

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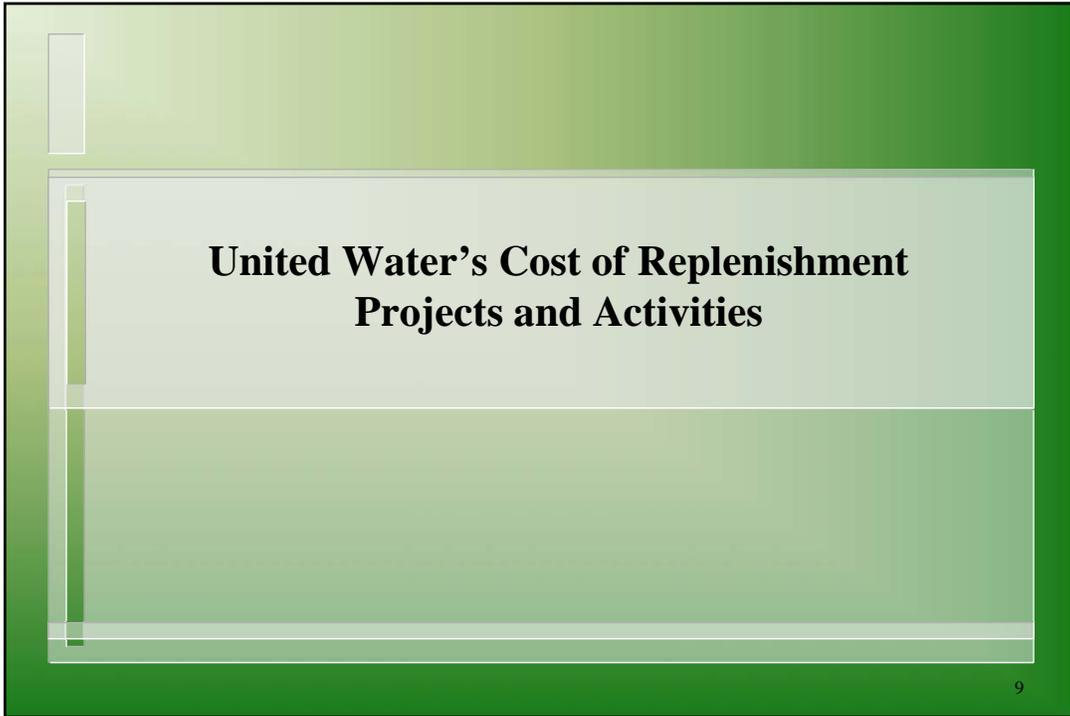
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### Consistent With Cost-of-Service, Rate-Making Principles

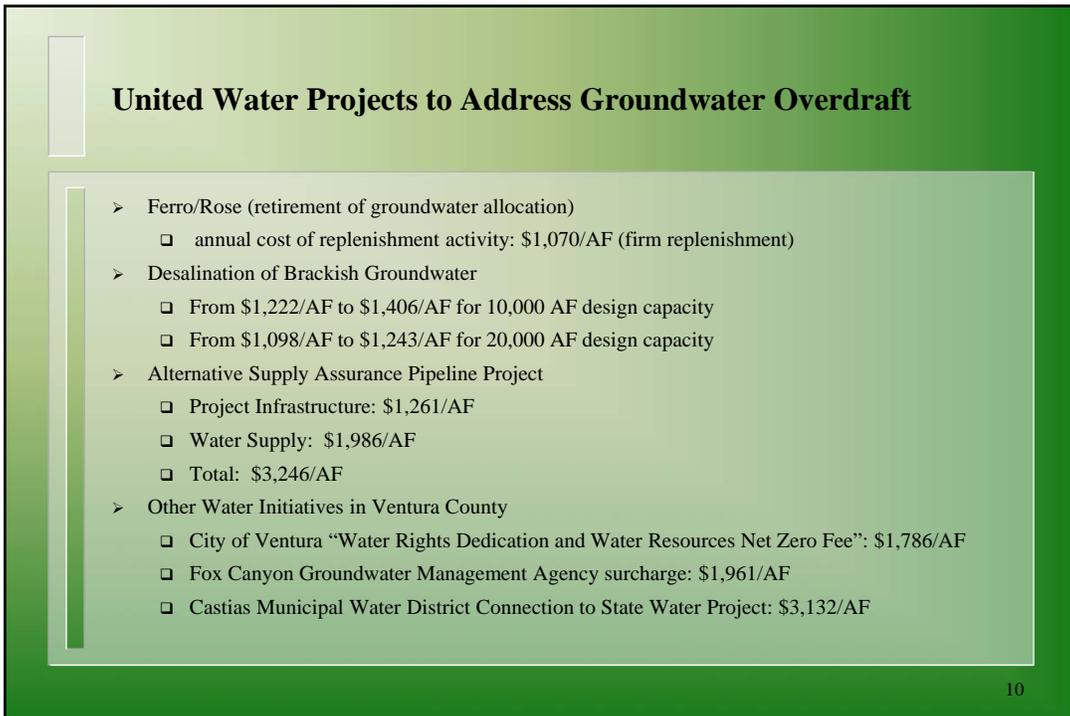
- United Water undertakes projects to mitigate the effects of groundwater overdraft
- For a parcel, demand for United Water's services reflect water use and land use
- Stratecon's method
  - ❑ United Water's variable cost: comparable to commodity charge
  - ❑ United Water's fixed cost: comparable to demand charge
  - ❑ Takes into account the burden placed on United Water from water use and land use decisions by customer classes
  - ❑ Consistent with LADWP use of marginal cost to apportion cost of service among customer classes

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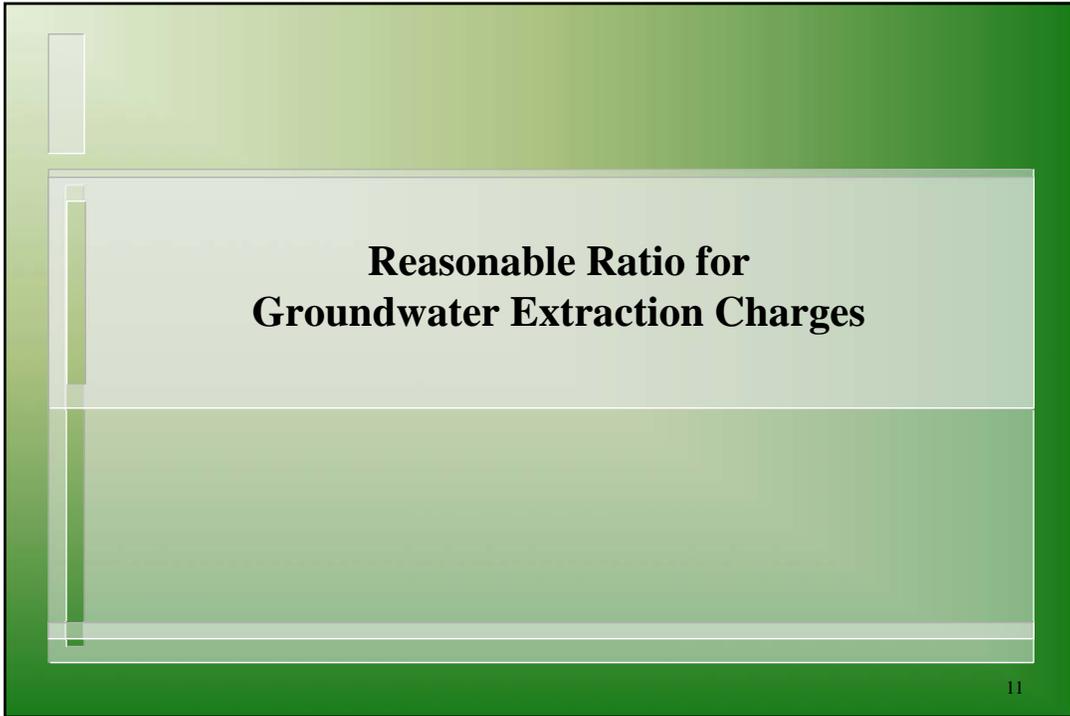
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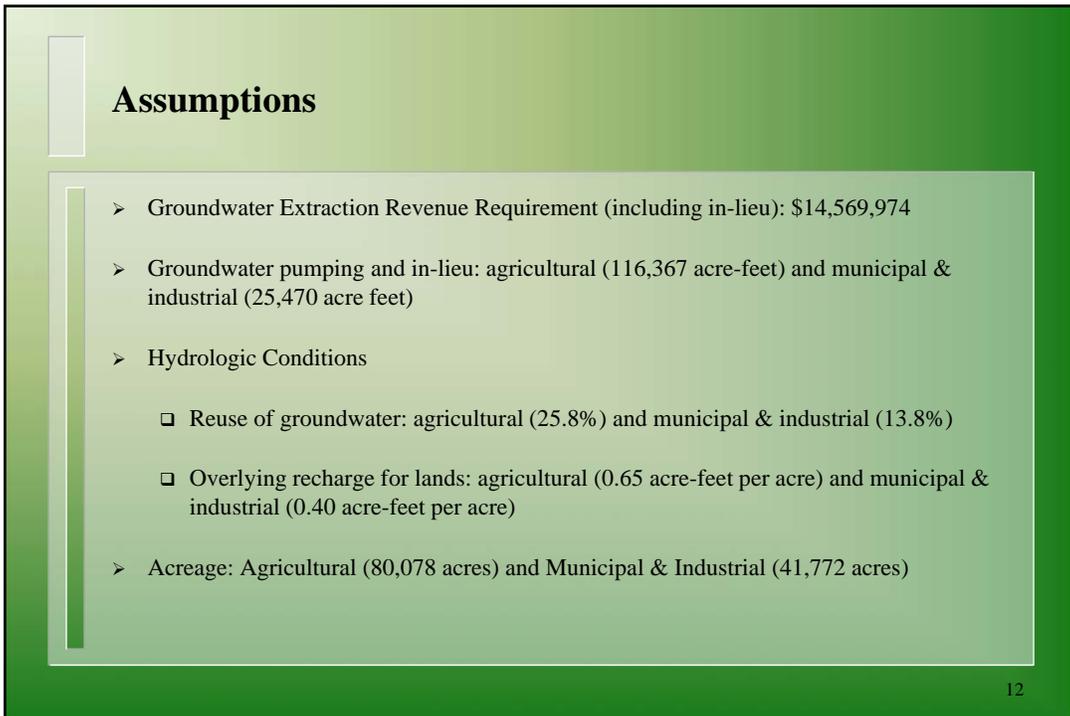


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## Reasonable Ratio for Groundwater Extraction Charges

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11



A presentation slide with a green gradient background. The title "Assumptions" is in a white box. Below it is a list of assumptions. The slide number "12" is in the bottom right corner.

## Assumptions

- Groundwater Extraction Revenue Requirement (including in-lieu): \$14,569,974
- Groundwater pumping and in-lieu: agricultural (116,367 acre-feet) and municipal & industrial (25,470 acre feet)
- Hydrologic Conditions
  - ❑ Reuse of groundwater: agricultural (25.8%) and municipal & industrial (13.8%)
  - ❑ Overlying recharge for lands: agricultural (0.65 acre-feet per acre) and municipal & industrial (0.40 acre-feet per acre)
- Acreage: Agricultural (80,078 acres) and Municipal & Industrial (41,772 acres)

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### United Water's Groundwater Extraction Charges under Alternative Assumptions for Proportion of Rainfall/Runoff Beneficially Recharging Basins

<i>Proportion of Rainfall/Runoff Beneficially Recharging Basins</i>	<i>Non-Agricultural Groundwater Extraction Charge</i>	<i>Agricultural Groundwater Extraction Charge</i>	<i>Ratio</i>
35%	\$299.71	\$59.60	3.7
50%	\$378.46	\$42.37	6.0
75%	\$509.71	\$13.64	37.4

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### Conclusion

- A ratio of at least 3.0 for M&I to AG groundwater extraction charges reasonably reflects the quantitative differences between the hydrological impacts of groundwater use and land use by the different groundwater user classes on United Water's replenishment obligation

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UNITED WATER CONSERVATION DISTRICT  
Cost-of-Service Analysis FY 2020-21

Board Presentation  
May 27, 2020



HF&H Consultants, LLC

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*United Water Conservation District* *Board Presentation*

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## Presentation Outline

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- Background
- Cost-of-service analysis
  - Purpose and analytical steps
  - Cost categories and classifications
  - Cost of service allocations
- Summary of results
  - Ag and M&I costs of service
  - Ratio of M&I to Ag costs

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## Background

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- District Act specifies a range for setting groundwater extraction charges
  - Act recognizes that the District provides service to two classes of pumpers: municipal and industrial (M&I) and agricultural (Ag)
  - Act requires that M&I extraction charge must exceed Ag charge by at least 3 times but no more than 5 times
- District Act does not specify how to determine the differential
- District has historically set M&I extraction charge at 3 times the Ag extraction charge (3 to 1 ratio)
- District developed a cost-of-service methodology for confirming the differential beginning with FY 2011-12
  - Results for FY 2020-21 are being presented today

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## Purpose of Cost-of-Service Analysis

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- Purpose of cost-of-service (COS) analysis
  - Allocate costs associated with providing service to Ag and M&I pumpers in Zones A & B
- Allocations are proportionate to the services each class receives
- The COS analysis determines the quantitative *difference* between Ag and M&I costs
  - The difference determines the ratio
- The COS analysis does not determine extraction charges for Zones A and B
  - Extraction charges are determined by District based on minimum 3 to 1 ratio

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## Standard Steps in COS Analysis

1. Classify costs by services provided to pumpers
2. Determine unit costs for each service
  - Unit costs apply equally to Ag and M&I
3. Allocate the cost of service to each class based on each class' units of service

COS analysis relies on

- Appropriate rate-making standards
- Best available data
- Reasonable assumptions

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## Three Cost Categories

The cost categories correspond to the District's core services

	Cost Categories		
	Replenishment	Reliability	Regulatory Compliance
<b>Services</b>	Zone A/B management and administration	Facilities constructed to improve groundwater reliability (Santa Felicia Dam and Freeman Diversion )	Regulatory compliance for facilities that improve groundwater reliability
<b>Costs</b> - O&M	Administration, management, and overhead	Operating personnel for storage and diversion facilities	Studies for ESA compliance, Dam Safety
- Capital	Equipment used for management and administration	Storage and diversion facilities	Facilities that are needed to comply with regulation of reliability facilities

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### District Budget Related to Zones A and B

- Total District budget of \$40.9 million
  - \$23.7 million is related to Zone A/B
    - \$3.6 million will be debt-funded with debt service payments spread over 30 years
    - Leaving \$20.1 million in FY 2020-21 cash expenditures
  - 9.1% decrease in cash expenditures compared to FY 2019-20
    - Primarily due to a greater portion of capital projects funded through debt as opposed to PAYGo

	FY 2019-20	FY 2020-21	Variance	
<b>Total District-wide Budget</b>	<b>\$40,960,647</b>	<b>\$40,952,290</b>	<b>(\$8,358)</b>	<b>0.0%</b>
Less:				
State Water Fund Expenses	(\$1,529,555)	(\$1,875,635)	(\$346,080)	22.6%
O/H Pipeline Fund Expenses	(\$8,958,029)	(\$9,818,785)	(\$860,756)	9.6%
PV Pipeline Fund Expenses	(\$441,228)	(\$264,114)	\$177,114	-40.1%
PT Pipeline Fund Expenses	(\$4,561,319)	(\$3,484,407)	\$1,076,912	-23.6%
Recreation-related Costs	(\$1,877,683)	(\$1,822,865)	\$54,818	-2.9%
Subtotal Non-Zone A/B Expenses	(\$17,367,814)	(\$17,265,806)	\$102,008	-0.6%
<b>Zone A/B Budgeted Expenses</b>	<b>\$23,592,834</b>	<b>\$23,686,484</b>	<b>\$93,650</b>	<b>0.4%</b>
Adjustments:				
Zone A/B Debt-funded Capital	(\$1,462,800)	(\$3,570,394)	(\$2,107,594)	144.1%
<b>Adjusted Zone A/B Expenses</b>	<b>\$22,130,034</b>	<b>\$20,116,090</b>	<b>(\$2,013,944)</b>	<b>-9.1%</b>

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### Costs By Category

Zone A/B Budget	FY 2019-20	FY 2020-21	Variance	
<b>Replenishment Costs</b>				
Personnel Costs	\$1,950,029	\$2,039,974	\$89,945	4.6%
Program Costs	\$1,952,324	\$2,188,221	\$235,896	12.1%
Overhead Allocation	\$1,404,258	\$1,413,299	\$9,041	0.6%
Capital Equipment Costs	\$11,763	\$96,831	\$85,068	723.2%
Debt Service	\$0	\$33,098	\$33,098	
Transfer to Capital Reserves	\$975,117	\$193,386	(\$781,732)	-80.2%
<b>Subtotal - Replenishment</b>	<b>\$6,293,492</b>	<b>\$5,964,809</b>	<b>(\$328,683)</b>	<b>-5.2%</b>
<b>Reliability Costs</b>				
Personnel Costs	\$684,216	\$1,175,321	\$491,104	71.8%
Program Costs	\$943,551	\$731,231	(\$212,320)	-22.5%
Overhead Allocation	\$492,719	\$814,265	\$321,546	65.3%
Capital Equipment Costs	\$5,685	\$32,358	\$26,673	469.2%
Debt Service	\$1,629,427	\$1,656,959	\$27,532	1.7%
Transfer to Capital Reserves	\$1,853,780	\$1,519,296	(\$334,484)	-18.0%
<b>Subtotal - Reliability</b>	<b>\$5,609,379</b>	<b>\$5,929,429</b>	<b>\$320,051</b>	<b>5.7%</b>
<b>Regulatory Compliance Costs</b>				
Personnel Costs	\$1,981,975	\$1,746,053	(\$235,922)	-11.9%
Program Costs	\$3,244,900	\$4,605,770	\$1,360,870	41.9%
Overhead Allocation	\$1,427,263	\$1,209,669	(\$217,593)	-15.2%
Capital Equipment Costs	\$19,551	\$203,811	\$184,259	942.4%
Debt Service	\$0	\$122,149	\$122,149	
Transfer to Capital Reserves	\$3,553,474	\$334,399	(\$3,219,075)	-90.6%
<b>Subtotal - Regulatory Compliance</b>	<b>\$10,227,163</b>	<b>\$8,221,852</b>	<b>(\$2,005,312)</b>	<b>-19.6%</b>
<b>Total</b>	<b>\$22,130,034</b>	<b>\$20,116,090</b>	<b>(\$2,013,944)</b>	<b>-9.1%</b>

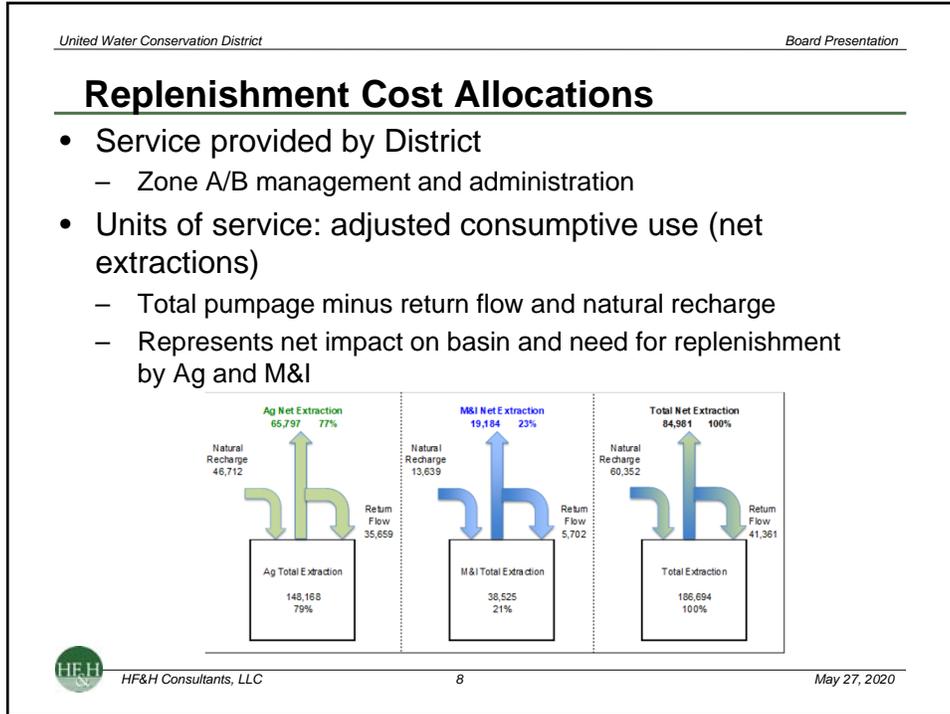
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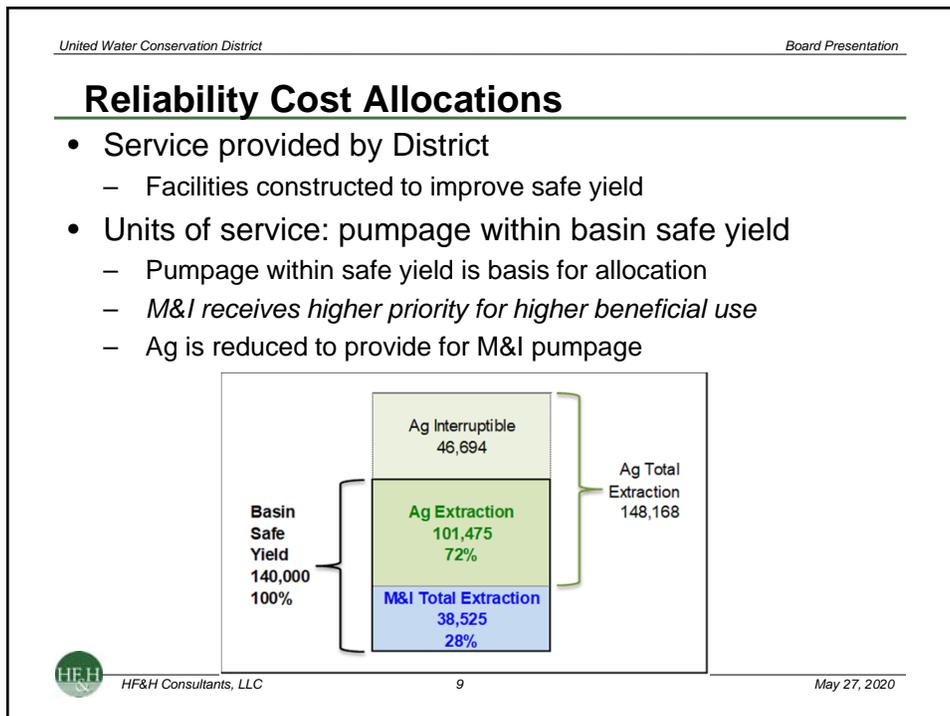
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- Replenishment costs
  - 30% of total
  - ~5% decrease
  - Decrease in PAYGo capital
- Reliability costs
  - 29% of total
  - ~6% increase
  - Increase in personnel costs and associated OH
  - Partially offset by a decrease in PAYGo capital
- Regulatory Compliance costs
  - 41% of total
  - ~20% decrease
  - Decrease in PAYGo capital

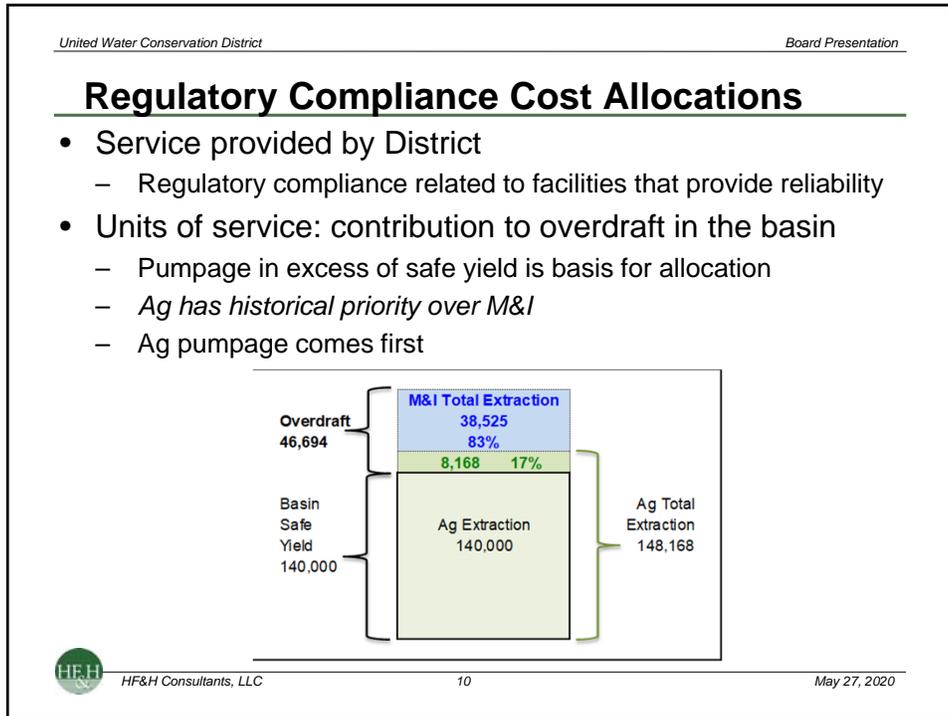
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### Allocation Factor Summary

Allocation Factors	Cost Categories		
	Replenishment	Reliability	Regulatory Compliance
- Ag	77%	72%	17%
- M&I	23%	28%	83%
	100%	100%	100%

Proportionate to net extractions from basin

Proportionate to basin safe yield

- M&I requires greater reliability
- some Ag is interruptible

Proportionate to overdraft

- Ag development preceded M&I
- M&I development worsened overdraft

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## Replenishment Cost of Service (\$/AF)

**I. Replenishment Unit Costs**

Replenishment costs	\$5,964,809
Adjusted consumptive use (AF)	84,981
<b>Unit cost of service (\$/AF)</b>	<b>\$70.19</b>

The same unit costs apply equally to Ag and M&I

	Ag	M&I	Total
<b>I. Replenishment Cost of Service</b>			
Unit cost of service (\$/AF)	\$70.19	\$70.19	\$70.19
Adjusted consumptive use (AF)	65,797	19,184	84,981
<b>Cost-of-service allocation</b>	<b>\$4,618,266</b>	<b>\$1,346,543</b>	<b>\$5,964,809</b>

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## Reliability Cost of Service

**II. Reliability Unit Costs**

Reliability Costs	\$5,929,429
Pumpage within basin safe yield	140,000
<b>Unit cost of service (\$/AF)</b>	<b>\$42.35</b>

The same unit costs apply equally to Ag and M&I

	Ag	M&I	Total
<b>II. Reliability Cost of Service</b>			
Unit cost of service (\$/AF)	\$42.35	\$42.35	\$42.35
Pumpage within basin safe yield	101,475	38,525	140,000
<b>Cost-of-service allocation</b>	<b>\$4,297,759</b>	<b>\$1,631,670</b>	<b>\$5,929,429</b>

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## Regulatory Compliance Cost of Service

**III. Regulatory Compliance Unit Costs**

Regulatory Compliance costs	\$8,221,852
Overdraft contribution (AF)	46,694
Unit cost of service (\$/AF)	<b>\$176.08</b>

The same unit costs apply equally to Ag and M&I

	Ag	M&I	Total
<b>III. Regulatory Compliance Cost of Service</b>			
Unit cost of service (\$/AF)	\$176.08	\$176.08	\$176.08
Overdraft contribution (AF)	8,168	38,525	46,694
Cost-of-service allocation	\$1,438,262	\$6,783,589	\$8,221,852



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## Summary of COS Allocations and Composite Ratio

	Ag	M&I	Total
<b>IV. Total Cost of Service</b>			
Replenishment	\$4,618,266	\$1,346,543	\$5,964,809
Reliability	\$4,297,759	\$1,631,670	\$5,929,429
Regulatory Compliance	<u>\$1,438,262</u>	<u>\$6,783,589</u>	<u>\$8,221,852</u>
	\$10,354,288	\$9,761,802	\$20,116,090
Total pumpage (AF)	148,168	38,525	186,694
Composite unit cost (\$/AF)	\$69.88	\$253.39	\$107.75
Ratio of M&I to Ag unit costs	<b>1.00</b>	<b>3.63</b>	

- Ag is allocated majority of Replenishment and Reliability
  - Proportionate to its use of the basin safe yield
- M&I is allocated majority of Regulatory Compliance
  - Regulatory costs associated with M&I's impact of exacerbating overdraft conditions



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### Summary

- Methodology consistent with past years
- FY 2020-21 cost-of-service analysis confirms 3-to-1 ratio

Composite Unit Costs (\$/AF)	Ag	M&I	Ratio M&I:Ag
FY2011-12	\$39.27	\$171.97	<b>4.38</b>
FY2012-13	\$40.44	\$177.27	<b>4.38</b>
FY2013-14	\$56.51	\$178.43	<b>3.16</b>
FY2014-15	\$50.94	\$165.32	<b>3.25</b>
FY2015-16	\$54.44	\$171.74	<b>3.15</b>
FY2016-17	\$49.64	\$169.80	<b>3.42</b>
FY2017-18	\$55.38	\$227.80	<b>4.11</b>
FY2018-19	\$54.38	\$215.47	<b>3.96</b>
FY2019-20	\$76.60	\$300.41	<b>3.92</b>
FY 2020-21	\$69.88	\$253.39	<b>3.63</b>
Average	\$54.75	\$203.16	<b>3.71</b>

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Questions?

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**Tim Flynn**

Mayor



**Office of the Mayor**

300 West Third Street  
Oxnard, CA 93030  
(805) 385-7430  
Fax (805) 385-7595  
[www.oxnard.org](http://www.oxnard.org)

May 19, 2020

Michael W. Mobley, President  
United Water Conservation District  
1701 N. Lombard Street, Suite 200  
Oxnard, CA 93030

Dear Board President Mobley:

The City of Oxnard respectfully requests your Board to suspend any water rates increases for the fiscal year 2020-2021 due to the severe financial and societal impacts of the COVID-19 pandemic. In only a few short months, local cities' revenues have cratered, with even larger gaps projected for next fiscal year. While some businesses are reopening at this time, the City will not be able to recover lost tax revenues and it is unknown if, and when, our local economy will revive.

Oxnard expects to experience high levels of unemployment throughout the pandemic with 40% of our population already living at low and very low income levels. To keep our community healthy, the City has suspended water shut offs for non-payment and assessment of penalties for delinquent bills. While payment plans are available for customers who need more time to pay their utility bill, we anticipate significant water revenue losses both in the short and long term. As this public health emergency wears on, the financial stress on our customers and the City's water budget will only continue to grow.

The City's current water rates were last adjusted in early 2018 and all wholesale water purchase cost increases from United Water Conservation District and Calleguas Municipal Water District since that time have been absorbed within the existing budget. Given our current circumstances and the financial distress of our customers, we do not know when we will be able to undertake a water rate adjustment process.

Therefore, we seek your assistance in suspending the wholesale water rate increases to alleviate the burden of our ratepayers. In the end, it is the retail water customers who collectively bear the financial responsibility for our community's water.

Thank you in advance for your responsiveness to this request.

Sincerely,  
  
Tim Flynn  
Mayor



# Port Hueneme Water Agency

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250 North Ventura Road • Port Hueneme, CA 93041 • (805) 986-6563

May 25, 2020

Michael W. Mobley, President  
United Water Conservation District  
1701 N. Lombard Street, Suite 200  
Oxnard, CA 93030

Dear Board President Mobley:

The Port Hueneme Water Agency staff has reviewed your proposed budget for fiscal years 20-21. The proposed budget includes a rate increase and a number of proposed Capital Projects. In light of the current Corona Virus Pandemic and the resulting economic down turn, PHWA is requesting that the District reconsider the proposed budget and postpone any rate increase until at least 2023. On behalf of our ratepayers, given the depth and duration of probable economic adversity, this approach seems most prudent. We further suggest that the proposed Capital Projects be recalibrated with consideration towards implementation over a longer time period to lessen the impact to rate manipulation in any particular budget cycle.

Although not publicized, the City has suspended water shut offs for non-payment and have been very accommodating with delinquent bill penalty assessments on a case-by-case basis. While we have been quietly lenient with economically stressed ratepayers, the increasing possibility of significant water revenue losses will continue to grow if the economy is shackled by continuing or future public health orders that prevent economic recovery. Clearly a rate increase would undermine our humanitarian support to those most vulnerable.

We respectfully request that you consider our recommendations for your FY20-21 budget.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brad Connors". The signature is fluid and cursive, with a long horizontal stroke at the end.

Brad Connors  
Executive Director PHWA,  
City Manager City of Port Hueneme



*"Citrus Capital of the World"*

# City of Santa Paula

970 Ventura Street • Santa Paula, California • Mailing Address: P.O. Box 569 • 93061 • Phone: (805) 525-4478 • Fax: (805) 525-6278

May 27, 2020

Michael W. Mobley, President  
United Water Conservation District  
1701 N. Lombard Street, Suite 200  
Oxnard, CA 93030

Dear Board President Mobley:

The City of Santa Paula respectfully requests your Board suspend any water rates increases for the fiscal year 2020-2021 due to the severe fiscal and local impacts of the COVID-19 pandemic. In only a few short months, our revenues have declined exponentially, leaving us with the decision to make unfortunate cuts to the budget, including services we provide our residents. We anticipate this shortfall will continue into the next year. While some businesses are reopening at this time, the City will not be able to recover lost tax revenues and it is unknown if, and when, our local economy will recover.

The City of Santa Paula expects to experience high levels of unemployment throughout the pandemic with 15% of our population already living at low and very low income levels. While we have provided alternatives to paying utility bills, we anticipate significant water revenue losses both in the short and long term. Over the past two months the City has seen a near doubling of late payments and accounts that would otherwise be subject to service disconnection. To aid our community, the City has suspended water shut offs for non-payment and assessment of penalties for delinquent bills and placed a temporary moratorium on evictions and foreclosures. As this public health emergency wears on, the financial stress on our customers and the City's water budget will only continue to grow.

The City's current water rates were last adjusted in November of 2019 and all wholesale water purchase cost increases from United Water Conservation District since that time have been absorbed within the existing budget. Given our current circumstances and the financial distress of our customers, we do not know when we will be able to undertake a water rate adjustment process.

Therefore, we seek your assistance in suspending the wholesale water rate increase to alleviate the burden of our ratepayers. In the end, it is the retail water customers who collectively bear the financial responsibility for our community's water.

Thank you in advance for your responsiveness to this request.

Sincerely,

Richard Araiza  
Mayor