



NOTICE OF PROPOSED WATER RATE INCREASE Ventura County Waterworks District No. 38

Ventura County Waterworks District No. 38 (District) will begin providing water service to the community of Lake Sherwood on July 1, 2015 (taking over the service provided by the Lake Sherwood Community Services District). The District's water supply is imported from the State Water Project, through Metropolitan Water District (Metropolitan), and Calleguas Municipal Water District (Calleguas), the District's direct supplier. The District staff is responsible for operations and maintenance of the District's water system to provide safe, reliable drinking water to about 1,600 residents of the Lake Sherwood community.

On January 17, 2014, Governor Edmund G. Brown proclaimed a State of Emergency throughout the State of California due to severe drought conditions. On April 25, 2014, Governor Brown proclaimed a Continued State of Emergency due to the ongoing drought. On April 1, 2015, Governor Brown signed Executive Order B-29-15 mandating that the State Water Resources Control Board (SWRCB) impose restrictions to achieve a statewide 25% reduction in potable urban water usage and instructed the SWRCB to direct urban water suppliers to develop rate structures and other pricing mechanisms, including but not limited to surcharges, fees, and penalties, to maximize water conservation consistent with statewide water restrictions.

On May 5, 2015, the SWRCB adopted an emergency conservation regulation in accordance with the Governor's directive. The provisions of the emergency regulation went into effect on May 18, 2015. The emergency regulation directs each distributor of a public water supply that is not an urban water supplier to limit outdoor irrigation of ornamental landscapes or turf with potable water by the persons it serves to no more than two days per week and/or reduce by 25% its total potable water production relative to the amount produced in 2013. By definition, the District is not an urban water supplier.

On April 14, 2015, Metropolitan declared a Level 3 (of 10) Water Supply Shortage, instituted its Water Supply Allocation Program, and announced a 15% cut in wholesale water allocations. This program carries with it steep surcharges for use in excess of the reduced allocations. On April 15, 2015, Calleguas declared a Stage 4 Water Supply Shortage and implemented its water shortage contingency plan. Its plan passes along Metropolitan's allocation reductions and surcharges to retail water purveyors. The District intends to pass on these surcharges directly to high water users within the District. On May 5, 2015, the Ventura County Board of Supervisors, which is the board of the District, declared a Level 2 Water Shortage. This declaration includes provisions for achieving required water savings, including the establishment of new rates and allocations.

On May 28, 2015, the Lake Sherwood Community Services District's Citizens' Advisory Committee unanimously recommended a 25% reduction of all water allocations in all tiers based on the State's conservation mandate to be effective on August 18, 2015. This allocation adjustment is a direct response to the drought emergency and is temporary in nature, depending upon the length of the drought and future water supply conditions. The

District will be reviewing its rate structure in the future in light of the water supply conditions and other factors.

Below is the current Billing Adjustment Number (BAN) schedule during Peak Demand, as described in the current Rules and Regulations, and the impact of the proposed 25% reduction:

BAN	Current Tier I*	Proposed Tier I*	Current Tier II*	Proposed Tier II*	Current Tier III*	Proposed Tier III*
1	0-34	0-25.50	35-60	25.51-44.63	>60	>44.63
2	0-51	0-38.25	52-89	38.26-66.94	>89	>66.94
3	0-68	0-51.00	69-119	51.01-89.25	>119	>89.25
4	0-85	0-63.75	86-149	63.76-111.56	>149	>111.56
5	0-102	0-76.50	103-179	76.51-133.88	>179	>133.88
6	0-119	0-89.25	120-208	89.26-156.19	>208	>156.19
7	0-136	0-102.00	137-238	102.01-178.50	>238	>178.50
13	0-238	0-178.50	239-417	178.51-312.38	>417	>312.38
29	0-510	0-382.50	511-893	382.51-669.38	>893	>669.38
59	0-1020	0-765.00	1021-1785	765.01-1338.75	>1785	>1338.75
119	0-2040	0-1530.00	2041-3570	1530.01-2677.50	>3570	>2677.50

*Tiers are in hundred cubic feet (HCF)/month

All BANs, including any not listed above, are proposed to be reduced by 25% on August 18, 2015. Allocations in all other rate types (irrigation, etc.) will also be reduced by 25%.

The surcharge is a pass-through from Calleguas, which is imposing it on its customer water districts. Calleguas will impose the surcharge on the districts at a rate of \$1,480 per acre foot (\$3.398 per HCF) for usage exceeding a given district's allocation and up to 15% above the allocation. The surcharge increases for districts who exceed their allocation by 15% or more to a total assessed surcharge of \$2,960 per acre foot (\$6.795 per HCF). Based on the reduced allocations, the current supply of imported water from Calleguas, and the usage at which Calleguas will impose surcharges on the District, during Peak Demand (May through October), the District will impose a surcharge on its customers at all Tier II usage and above. During Low Demand (November through April), the District will impose the surcharge at all Tier III usage. In compliance with Government Code section 53756, the imposition of the pass-through surcharge is being adopted for a period not to exceed five years, or until Calleguas ceases to impose it on the District, whichever occurs first.

Customers are urged to reduce their water consumption to avoid potential surcharges.

Furthermore, Metropolitan's actions to provide a reliable water supply to this region are causing it to increase its water rates substantially. In turn, Calleguas has increased its water rates for calendar year 2016 by 5.4%. In addition, Southern California Edison rates are expected to increase for operation of the pumps used to pump water within the District.

The cost of operating and maintaining the District's water system is calculated based on the following formula:

$$\text{total cost of providing water service} / \text{projected units of water sold} = \text{water rate}$$

where the total cost of providing water service includes, but is not limited to, water purchases and operations and maintenance costs.

The operations and maintenance costs are relatively fixed, and do not necessarily correspond to the volume of water sold. Therefore, as water sales decline due to conservation, unless the unit cost of the water is increased, the District will not generate sufficient funds to safely operate the water system. To ensure sufficient revenue for operations and maintenance costs, the water rates need to be increased based upon estimated conservation.

On June 12, 2015, the Lake Sherwood Community Services District's Citizens' Advisory Committee unanimously recommended a 6% water commodity rate increase, effective August 18, 2015, to enable continued funding of the District's operations and maintenance in view of the reduced revenues caused by drought conservation requirements; and a 6% water commodity rate increase, effective January 1, 2016, due to the increased cost of water from Calleguas and other increases in the cost of providing water service in the Lake Sherwood community.

We are therefore recommending a 6% increase effective August 18, 2015, and a 6% increase effective January 1, 2016, for all of the tiers in the water commodity rate. The proposed rate increase is recommended based on a water rate analysis that showed that the higher rate is necessary to cover the District's cost of providing an uninterrupted supply of high quality water to the community of Lake Sherwood. We are not recommending any increases in the service charge at this time.

Current and proposed rates are shown in the following table:

Tiers	Current	Proposed 6% Increase August 18, 2015	Proposed 6% Increase January 1, 2016
Tier I	\$2.737/HCF \$1,192.24/AF	\$2.901/HCF \$1,263.68/AF	\$3.075/HCF \$1,339.47/AF
Tier II	\$4.106/HCF \$1,788.57/AF	\$4.352/HCF \$1,895.73/AF	\$4.613/HCF \$2,009.42/AF
Tier III	\$6.843/HCF \$2,980.81/AF	\$7.253/HCF \$3,159.41/AF	\$7.688/HCF \$3,348.89/AF
HCF = Hundred Cubic Feet; AF = Acre Feet			

This notice is to inform you that a hearing will be held on Tuesday, August 4, 2015, at 11:00 a.m. in the Board of Supervisors' Hearing Room in the Hall of Administration at the Ventura County Government Center, 800 South Victoria Avenue, Ventura,

concerning the proposed water rate increases. At the hearing, any person may be heard regarding the recommended reduction in water allocations and rate increases.

If you oppose the proposed allocation reductions and rate increases, your protest must be submitted in writing to be considered, even if you are planning to attend the public hearing. Your written protest must be received by the Ventura County Clerk of the Board prior to the August 4, 2015, public hearing.

Protests must contain the following information: 1) a description of the property, such as the Assessor's Parcel Number; 2) your Account Number; 3) whether you are the property owner of record or a lease holder (*please note that if you were not the owner of the property as of Ventura County's last tax roll, please include written confirmation that you presently own the property*); and 4) a statement that the water allocation reductions and/or the water rate increases are being protested. You may send your written protest to:

Ventura County Clerk of the Board
800 South Victoria Avenue
Ventura, CA 93009

Should the Board adopt the proposed August 18, 2015, reduction in water allocations and rate increases, the changes will be reflected in the utility bills beginning August 18, 2015.

Should the Board adopt the proposed January 1, 2016, rate increase, the change will be reflected in the utility bills beginning January 1, 2016.

Further information may be obtained by calling (805) 378-3000, Monday through Friday, between 8 a.m. and 5 p.m.