

About Oxnard Water

1. What does the Oxnard Water Division do?

The City of Oxnard's Water Division serves residential, commercial, industrial, institutional, and agricultural customers. As the largest city in Ventura County, the City delivers high-quality drinking water to more than 43,000 service connections, of which about 85% are single and multi-family residences.

2. How is the City's Water Division funded?

The City's water utility is funded in large part by the water rates customers pay. Payment for water service ensures the City's ability to deliver high-quality, reliable water in a manner that values our environment and community, and sustains the resources entrusted to our care. The City of Oxnard is committed to good governance, fiscal accountability, and transparency, with systems and policies in place to earn the trust of our customers.

3. Does the City's water division make a profit?

No. By law, we cannot charge customers more than what it costs to provide the service. Our system is owned by our customers and governed by the City Council; we do not have shareholders or pay dividends.

Oxnard Water Rates

1. What do water rates pay for?

The City is committed to using industry best practices to ensure we thoughtfully plan for the future. Water rates are an investment in our infrastructure today to secure our water future. Revenues derived from water rates ensure the continuity of operations and reliable delivery of water to more than 200,000 people who live, work, and visit Oxnard. As an example, water rates pay for:

- Purchase and pumping of limited water resources, both imported and local
- Maintenance and repair of critical infrastructure, such as water treatment facilities, blending stations, groundwater wells, and the Advanced Water Purification Facility
- Maintaining more than 500 miles of water pipelines to ensure water delivery to homes and businesses
- Maintaining, repairing, and replacing more than 5,700 fire hydrants
- Maintaining and reading nearly 43,000 water meters
- Replacing and repairing aging infrastructure, chemical feed systems, variable frequency drives, groundwater wells, and online analyzers
- Hiring and retaining highly skilled, qualified, and licensed staff to operate the water system

2. Is revenue from water rates used on any non-water projects?

No, water Enterprise Funds can only be used on water projects.

3. What does the City do with the money it receives from Oxnard water ratepayers?

The City follows Generally Accepted Accounting Principles (GAAP) that require local governments to use the Enterprise Fund category for “business-type activities,” similar to private sector services that are primarily funded through user fees, i.e. electricity, cellular service. An Enterprise Fund is considered the best practice to ensure that the water fund is financially self-sustaining and able to pay for all expenses with the revenue generated from its customers. Whereas the City’s core administrative and operational tasks are funded by the General Fund primarily through tax revenues (sales tax, property tax, and hotel taxes), the Enterprise Fund is a separate accounting and financial reporting mechanism for which revenues and expenditures are segregated into a fund with financial statements separate from all other City governmental activities.

An Enterprise Fund identifies the total direct and indirect costs to provide the service, and the sources and amounts of revenues that support the service, for which a fee is charged in exchange. Examples of direct costs are capital outlay, expenses, and personnel. Indirect costs are expenditures budgeted and accounted for in the General Fund but allocated to the Enterprise Fund to cover, such as its share of centralized services for accounting, treasury, collections, legal counsel, etc. Enterprise Funds are intended to support themselves financially and not be subsidized or borrowed from other funds - the City can only use fees collected from water ratepayers to pay for water-related expenditures.

4. What is the rate study process?

The City hired Raftelis Inc., a consulting firm with expertise in water and wastewater rate studies in California and across the country. Their scope of work includes developing long-range financial plans for water service and assisting with the California Proposition 218 process and public hearing for rate adoption. The rate study consists of a series of steps involving data evaluation, performing technical analyses, deriving customer rates, and understanding customer impacts of any modifications. Once a rate proposal is determined, the complete study is documented in a Study Report to serve as part of the City’s administrative record.

2023 Rate Study Schedule: The anticipated schedule to complete the rate study and consider any possible rate adjustments is March 15, 2023 for potential implementation on July 1, 2023, which is the beginning of the City’s fiscal year.

Beginning in December 2022, the City is offering many opportunities for the community to learn about Oxnard Water costs and provide input regarding any potential rate adjustments that may be suggested by the rate study.

We encourage the community to stay informed about the water rate study through the City's website at www.oxnardwater.org. Additionally, residents are encouraged to submit questions or comments to water.inquiry@oxnard.org or call the Public Works Department at (805) 385-8390.

5. Why is the City conducting a water rate study?

Rate studies are conducted as an industry best practice to ensure that a utility's financial health is maintained and that the City is setting a course toward meeting future financial and service obligations. The industry standard is to perform comprehensive rate studies every three to five years; our last study was in 2017. At that time, the Oxnard City Council evaluated several options and ultimately chose a one-time rate adjustment of 14% that took effect on September 1, 2017. A water rate pass-through increase of 1.9% was administratively processed and took effect on January 1, 2017. The rate increase in January 2017 was the last time water rates were increased.

In September 2021, Oxnard water rates were decreased by 3.4% due to the removal of the Infrastructure Use Fee (IUF) from City utility rates. Since the last rate study, the costs of supplies including the purchase of water from the State Water Project have increased. The water industry is experiencing the same global impacts of inflation. The water utility is self-funded, so its revenues must equal its expenditures. Water rates must cover the cost of service and maintain prudent reserves in case of an emergency, such as an earthquake or wildfire, that could damage major critical infrastructure. With water rate adjustments, the City will be able to increase the annual level of capital reinvestment needed to upgrade aged-out infrastructure and provide financially and operationally sustainable water service.

6. How are rates set?

Proposed rates are determined following evaluation and analysis of cost escalations related to operation and maintenance, water treatment, capital projects' costs, general inflation, and material cost increases. California's Proposition 218 requires local municipalities to follow certain procedures when proposing a rate adjustment to services such as water. A property owner has an opportunity to protest the proposed rate increases if they feel they are unwarranted.

Under Proposition 218, property owners and ratepayers will receive a public notice via U.S. Mail detailing the proposed rate adjustment, protest process, and the City Council Public Hearing date. The protest process allows property owners and ratepayers to complete a written form wherein they may protest the proposed rate adjustment. Property owners and ratepayers have 45 days to return their written protest to the City. During the Public Hearing, the City Council will review and consider all customer protests written and oral, and consider approving or denying rate adjustments. All written protests must be received prior to the

close of the public hearing. All protests received after the close of the public hearing shall not be considered. Should the City receive a majority protest from ratepayers, rate adjustments will not be implemented.

7. Who approves rate changes?

Establishing new rates is a collaborative effort with input from City staff, financial experts, community members, including rate payers and property owners, and the City Council.

8. Why do water rates need to be adjusted?

The most recent Oxnard water rates study was completed and implemented in 2017. Ideally, rate studies should be performed every 3-5 years. Regular rate studies are critical to the healthy operation of the City's utilities. Utility systems must keep up with rising costs and be able to implement critical capital projects that are mandated or necessary for the health and safety of our customers.

Performed regularly, utility rate studies provide transparency into what the City can expect in the years ahead and ensure we have the financial resources to meet our budget, maintain our infrastructure, manage system capacity for growth, implement new technologies, address existing and new state and federal regulations, and implement our capital improvement program (CIP).

Other elements of rate studies include the development of a reserve policy that considers the different types of risks we face, including future drought conditions and increased imported water costs, and ensures revenue stability while maintaining affordability and communicating the intention of conservation.

9. What can be done to lower water rates?

Water utility costs typically do not decrease, especially in an environment of high inflation and drought. Therefore, water rates are not likely to decrease unless the utility brings on significantly more customers (who would generate more revenue) while staying within supply, treatment, and resource limits.

The costs of water expenditures have greatly increased since the 2017 water rate study. One of the largest expenditures in the water fund is the cost to acquire imported water from Calleguas Municipal Water District (CMWD), United Water Conservation District (UWCD), and fees paid to Fox Canyon Groundwater Management Agency (FCGMA) for water pumped from our wells.

The total acquisition costs are projected to be more than 40% of the water utility's operating budget for FY 2022-23:

- a. Calleguas - \$18 million (est.)
- b. United - \$7.1 million (est.)
- c. FCGMA - \$2.4 million (est.)

Water acquisition fees consist of two components, variable and fixed rates. Since 2017, CMWD has increased its variable and fixed rates by 12.7% and 10.2%, respectively. UWCD has increased its variable and fixed rates by 5.7% and 35.8%, respectively. The fees for pumping groundwater have increased by more than 70%. In addition, materials and supplies have been impacted by the global supply crisis and rising inflation, resulting in higher costs for these critical items that are necessary to maintain the water system.

10. How are water rates adjusted?

The City began an in-depth rate study process in late 2022 and provided the community with many opportunities to learn about the needs of the water system, water rate process and provide input. Values important to ratepayers and the community help guide the rate study structure, but with the understanding that California Proposition 218 requires the City to adopt a rate structure that reflects the actual costs of serving each customer class.

Following three community meetings and presentations to the City Council, Public Works and Transportation Committee, and the Inter-Neighborhood Council Organization (INCO), three different rate scenarios were created. The scenarios contained different financial needs using a moderate-low capital improvement projects (CIP) funding scenario and meeting the debt coverage ratio (scenario 1); using a moderate 50% CIP funding level each year and meeting the debt coverage ratio (scenario 2); and using an ultra-aggressive CIP funding level and meeting the debt coverage (scenario 3). Each of these three scenarios endeavored to reach an operating reserve fund balance of 25% per Resolution 15595. The three scenarios were presented to the Oxnard City Council during a public rates workshop on February 11, 2023. Scenario 1, (containing the lowest costs), was the recommended scenario to be used. Next, the Oxnard City Council will conduct a Public Hearing on Tuesday, May 2, 2023, to consider adopting the proposed rates for water services.

In compliance with California Proposition 218, the City mailed a Public Notice in English and Spanish to inform Oxnard property owners and water customers of the proposed water rates and the Public Hearing on May 2 and of their right to participate and to protest rate increases. The public is encouraged to read the Notice that can also be found at www.Oxnardwater.org. The public can also request information via email at water.inquiry@oxnard.org or call (805) 385-8390. The website includes the Water Cost of Service Study and information about the Oxnard Water Division.



11. How does the City forecast expenses when setting rates?

The City's objective is to have cash reserves equal to 25% of the operating budget in the water utility Enterprise Fund because adequate reserves are necessary to address unforeseen conditions such as emergency repairs, drought, or service interruptions of imported water. Rate revenues must cover these reserves. Water utility reserves are not used to fund other City expenditures and must be utilized for the Water Division's Enterprise Fund.

The City of Oxnard's water rate study will include projected expenses and forecasted cost increases over the next five-to-ten-year period. If there is additional revenue or expenses the fund will either be slightly in the positive or slightly in the negative, with the objective of a healthy Enterprise Fund to balance revenues with expenses over multiple years.

Enterprise Funds must pay for themselves and meet minimum debt and reserves to maintain a healthy utility. The purpose of a five-year rate study is to reconcile these differences in projected expenses and revenues and factor actual expenses and surpluses or deficits into the projected revenue needs for the next five years.

Water Infrastructure Investments

1. How has the City improved water operations and water delivery for ratepayers?

The City is continually making necessary investments in water utility capital improvements to meet current and future system needs, including the renewal, replacement, improvement, and expansion of capital facilities and infrastructure. In recent years, the City's five-year Capital Improvement Program (CIP) identified immediate infrastructure projects needed to continue delivering high-quality water to our community totaling more than \$141 million. These projects include automated metering, replacing cast iron pipes, well rehabilitation, new wells, replacement of a portion of the Oxnard Conduit State Water connection, and significant improvements to the desalter and blending station facilities. A diversified water resource portfolio allows the City to keep the cost of buying expensive imported water to a minimum.

2. What will the City do with funding from any potential increase in water rates?

With additional funding from potential rate increases, the City will be able to increase the annual level of capital reinvestment needed to upgrade aging infrastructure, as well as provide a financially and operationally sustainable water utility now and for the future. Rising costs for imported water and materials are greatly impacting the financial security of the water fund.

Drought Considerations



1. What is Oxnard doing to ensure adequate water supplies in the face of a drought?

The City of Oxnard has made and will continue to make investments in the water system to ensure the delivery of safe and reliable drinking water supply for generations to come. In order to ensure future success, we must be prepared to continue investing in our water system, meet state and federal regulatory standards, obtain the necessary infrastructure and permitting for use of our recycled water, and address the challenges from climate change and rising costs that many water systems in the United States are facing.

Our current 5-Year Capital Improvement Program (CIP) lays out the immediate infrastructure projects needed to continue delivering high-quality water to our community. The CIP is a roadmap on how the City will build water resiliency during drier periods and drought to help maintain a safe and secure water supply. As part of the GREAT program, the City is planning to utilize recycled water as another water source for the potable water system. Completion of the Aquifer Storage and Recovery (ASR) well is a critical component for the future. The most challenging aspect of this project will be in obtaining State regulatory approvals to use the ultrapure recycled water for blending with other City water resources and utilized for potable reuse.

Climate change continues to impact our environment, specifically by causing erratic drought cycles. Drought impacts continue to cause water supply shortages and revenue shortfalls. In addition, rising costs of water acquisition and operating supplies, as outlined above, are straining the financial security of the water funds. Securing a reliable water supply requires short- and long-term project planning for drought resiliency and a financially secure operating budget to face these challenges.

2. Will the City experience a water shortage if it continues to build housing?

The City does not anticipate a water shortage as a result of future housing projects. The City's [2020 Urban Water Management Plan](#) demonstrates that Oxnard will have adequate water supplies to meet future needs through 2040. During times of drought, the City will activate its Water Shortage Contingency Plan (Section 8 of the [2020 Urban Water Management Plan](#)) to ensure sufficient water supplies are available to meet public health and safety needs.

In addition, the City is required to comply with California's housing mandate to allow additional housing projects. The mandate comes with regulations to protect water supplies. New housing must comply with state building and water efficiency codes that when coupled with smaller landscape areas of multi-family residential units, are significantly more water efficient than single-family housing built many years ago.

###

Updated March 14, 2023