



Item Number: 16

City Council / Board of Directors

Written Communications

Meeting of: June 2, 2026

Submitted By:

Doug Mathews, Director of Public Works and Water

Subject:

Consideration of: (1) Resolution No. VWD 26-009, accepting the 2026 Water Cost of Service/Rate Study; Authorizing Preparation and Mailing of Notices of Public Hearing Regarding the Proposed Changes to Water Service Rates Pursuant to Proposition 218; and Setting the Date, Time, and Location of the Public Hearing on the Proposed Water Service Rates; and

(2) Resolution No. VWD 26-011, adopting a Written Objection Administrative Exhaustion Procedure pursuant to Assembly Bill (AB) 2257 Applicable to Water Rate Setting Proceedings Under Proposition 218

Recommendation:

Staff recommends that the Honorable Board of Directors:

- (1) Adopt Resolution No. VWD 26-009, accepting the 2026 Water Rate Study, setting July 21, 2026, as the date for the Public Hearing on the proposed changes to the District's rates and fees for Water Services, and authorizing staff to prepare and mail Notices of Public Hearings in accordance with Proposition 218; and
- (2) Adopt Resolution No. VWD 26-011, establishing a Written Objection Administrative Exhaustion Procedure pursuant to Assembly Bill (AB) 2257.

Fiscal Impact:

This action will result in a fiscal impact of approximately \$31,000, resulting from the direct costs of mailing required hearing notices and notice publications. An additional appropriation is not required, as this cost was incorporated as part of the water rate study project. This project will be funded entirely from the Water Fund, Fund No. 410. There are sufficient funds in the following account to cover the planned expense.

<u>Budget Account No.</u>	<u>Available Funds</u>	<u>Account Description</u>
4100030-52300-74516	\$31,525.00	Water Admin – Contract Services – Water Rate Study

Strategic Plan Goal:

This item aligns with Goal A, Financial Stability; and Goal E, Invest in infrastructure. Periodically evaluating and adjusting water rates, fees, and charges (Water Rates or Water Service Rates) helps ensure the District has necessary resources to adequately fund services and operation and maintenance of related capital assets.

Background:**Water Rate Increase History**

On July 20, 2021, the Board of Directors of the Victorville Water District (the “District”) adopted Resolution No. VWD-21-011, which established new Water Rates for a five-year period covering Fiscal Year (FY) 2021/2022 through FY 2025/2026. As the District is now in the final year of that rate cycle, a new water rate study was required to evaluate projected operational, capital, and financial needs for the next five-year period (FY 2026/2027 through FY 2030/2031).

Concurrent with the rate study, the District is also updating its Water Master Plan (WMP). The WMP identifies future water demand and long-term infrastructure requirements. These identified improvements are reviewed and incorporated into the rate model to ensure adequate funding over the upcoming five years. The WMP update is being completed with assistance from Water Systems Consulting (WSC) and will be presented to the District Board of Directors (the “District Board”) for adoption at a later date.

2026 Water Rate Study and Rate Workshop

In September 2025, the District, in coordination with the Purchasing Division, issued a Request for Proposals seeking a qualified consultant to prepare a new water rate study. Four proposals were received by the October 3, 2025 deadline. Following a committee review, Bartle Wells Associates was selected and awarded the contract.

A Notice to Proceed was issued to Bartle Wells Associates (BWA) on December 22, 2025, initiating the data collection and analysis phase of the 2026 Water Rate Study (the “Rate Study”).

On April 27, 2026, the District Board held a workshop to review the preliminary Rate Study findings, along with recent court decisions affecting the District’s current tiered-rate methodology. During the workshop, the District Board reviewed a proposed five-year water rate schedule that increased rates by 4% annually commencing on August 1, 2026, and then on July 1 for each of the following four years. The proposed rate schedule also included repayment of the remaining debt on the Baldy Mesa Water District’s 2006 Certificates of Participation (bonds) and the reallocation of revenues previously dedicated to that bond debt back to the ratepayer fund. This plan is intended to fully fund projected operating and capital improvement costs over the five-year period while maintaining equitable rates and minimizing impacts to customers.

Following a BWA presentation and during discussion by the District Board, the District Board asked why residential customers seemed more affected by the proposed rate structure than businesses. The main reason given was the elimination of the District's existing tiered rate structure, which had provided single-family residential customers with a reduced rate for the first six (6) hundred cubic feet (hcf) of water used, allowing them to maximize savings. It was further explained that in light of recent case law, shifting to a single-tier rate was more consistent with Proposition 218's cost-of-service and proportionality requirements, because the District's cost to pump, treat, and deliver water is the same for all customers, whether residential, commercial, or industrial. In addition, fixed charges for 3/4-inch meters were slightly reduced based on an analysis of current customer classes and fixed-costs distribution.

District staff (Staff) further advised that in conjunction with BWA, it would be refining the Rate Study and bringing back a final version for consideration and acceptance by the District Board at an upcoming regular meeting, at which time Staff would also request authorization to proceed with the water rate setting process required by Proposition 218.

AB 2257 Administrative Exhaustion/Objection Procedures

In the wake of several impactful water rate cases, the California Legislature adopted Assembly Bill (AB) 2257 (effective January 1, 2025). AB 2257 added Sections 53759.1 and 53759.2 to the Government Code to establish an optional "exhaustion of administrative remedies" procedure, that, when properly implemented by a public agency, prohibits property owners/ratepayers from filing legal challenges to adopted fees (rates) unless they have first timely submitted a written objection to the rates, specifying the legal basis for the challenge. The process also affords public agencies the opportunity to address or resolve such objections before adopting rates under Proposition 218.

Discussion:

Water Rate Study Consideration and Acceptance

The first step in the formal Water Rate adjustment process involves District Board consideration and acceptance of the final Rate Study and providing authorization for Staff to move forward with the rate adoption process required by Proposition 218. The District Board must adopt a resolution at a regularly-scheduled meeting to accept the final Rate Study, set a public hearing date, and authorize Staff to move forward with the mailing of public hearing notices to property owners/ratepayers.

Following the workshop on April 27, 2026, the proposed annual rate increase for each of the next five (5) years remains at 4%. Table 1 illustrates the proposed new Water Rates for the next five years (the current rates for each customer class are also included in the first column). Table 2 shows the District's proposed drought surcharges, which may be activated following notice and a public hearing before the District Board if drought conditions at various response stages significantly reduce water usage and sales below levels necessary to sustain required rate revenues during the upcoming five-year period. Pursuant to Government Code Section 53756, the District shall also send a written notice

of imposition (or subsequent adjustment or repeal) of any drought surcharge to affected property owners at least thirty (30) days prior to the date any change becomes effective. These surcharges are intended to be added to the volumetric rates for all customers except those receiving recycled water.

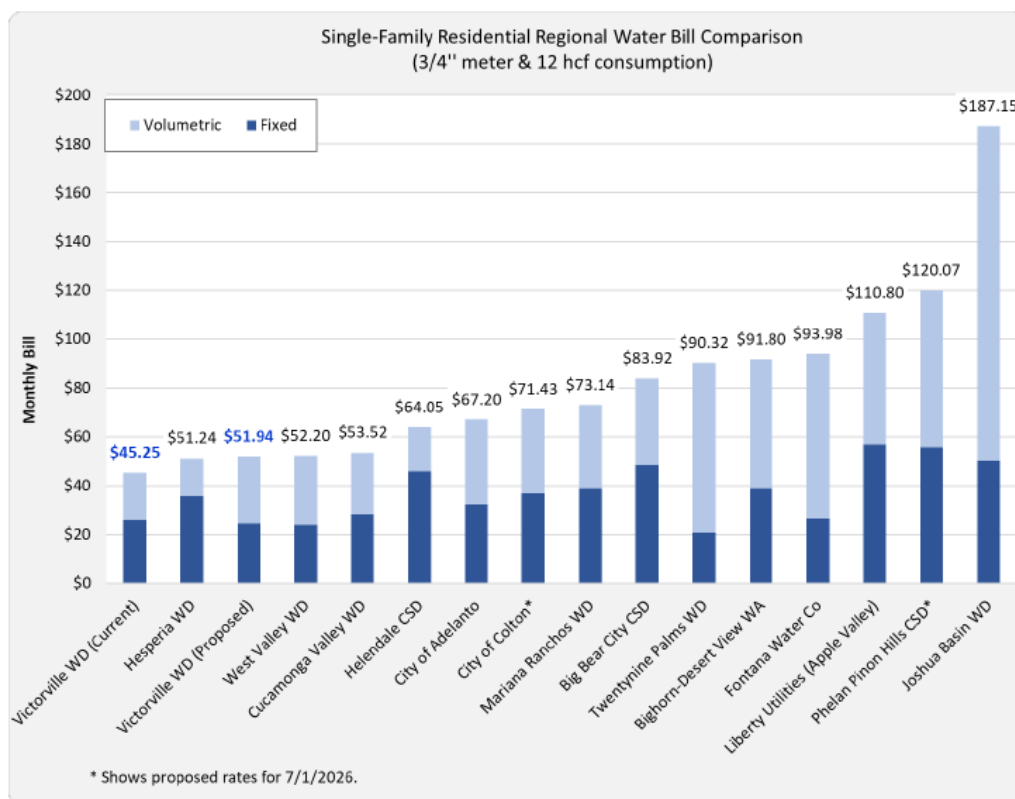
Table 1 – Current and Proposed Water Rates

Monthly Water Rates	Current	Proposed				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Fixed Service Charges						
3/4 inch	\$25.81	\$24.58	\$25.56	\$26.59	\$27.65	\$28.76
1 inch	\$39.48	\$35.74	\$37.17	\$38.66	\$40.20	\$41.81
1.5 inch	\$73.66	\$63.64	\$66.19	\$68.83	\$71.59	\$74.45
2 inch	\$114.67	\$97.12	\$101.00	\$105.04	\$109.25	\$113.62
3 inch	\$224.03	\$286.84	\$298.31	\$310.25	\$322.66	\$335.56
4 inch	\$347.06	\$498.88	\$518.84	\$539.59	\$561.17	\$583.62
6 inch	\$688.81	\$789.04	\$820.60	\$853.43	\$887.56	\$923.07
8 inch	\$1,919.12	\$1,570.24	\$1,633.05	\$1,698.37	\$1,766.31	\$1,836.96
10 inch	\$2,876.03	\$2,518.84	\$2,619.59	\$2,724.38	\$2,833.35	\$2,946.69
12 inch	\$2,876.03	\$3,076.84	\$3,199.91	\$3,327.91	\$3,461.03	\$3,599.47
Consumption Rates (per hcf)						
Single-Family Residents (SFR):						
Tier 1 (1 - 6 hcf)	\$0.80					
Tier 2 (7+ hcf)	\$2.44					
Uniform Rate (all hcf)		\$2.28	\$2.37	\$2.47	\$2.56	\$2.67
All Other Customers:						
Standard Domestic Water (Non SFR)	\$2.42	\$2.28	\$2.37	\$2.47	\$2.56	\$2.67
Construction Flow Meter/Intertie	\$4.01	\$3.89	\$4.04	\$4.21	\$4.37	\$4.55
Well (Untreated) Water	\$0.82	\$1.65	\$1.71	\$1.78	\$1.85	\$1.93
Reclaimed/Recycled Water	\$1.45	\$1.86	\$1.93	\$2.01	\$2.09	\$2.18
Fire Fixed Service Charges						
1 inch	\$6.45	\$8.49	\$8.83	\$9.18	\$9.55	\$9.93
1.5 inch	\$7.59	\$9.14	\$9.51	\$9.89	\$10.28	\$10.69
2 inch	\$8.96	\$9.92	\$10.32	\$10.73	\$11.16	\$11.60
3 inch	\$13.30	\$14.34	\$14.91	\$15.51	\$16.13	\$16.78
4 inch	\$21.30	\$19.28	\$20.05	\$20.85	\$21.69	\$22.55
6 inch	\$41.86	\$26.04	\$27.08	\$28.16	\$29.29	\$30.46
8 inch	\$69.28	\$44.24	\$46.01	\$47.85	\$49.76	\$51.75
10 inch	\$105.84	\$66.34	\$68.99	\$71.75	\$74.62	\$77.61
12 inch	\$105.84	\$79.34	\$82.51	\$85.81	\$89.25	\$92.82

Table 2 – Drought Surcharges

Drought Stages	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
10% Conservation	\$0.06	\$0.07	\$0.07	\$0.08	\$0.08
20% Conservation	\$0.11	\$0.13	\$0.13	\$0.13	\$0.13
30% Conservation	\$0.11	\$0.13	\$0.13	\$0.14	\$0.14
40% Conservation	\$0.22	\$0.23	\$0.23	\$0.23	\$0.24
50% Conservation	\$0.66	\$0.68	\$0.68	\$0.68	\$0.67

Staff are confident in recommending the final Rate Study for acceptance and seeking District Board approval to move forward with the property owner notification process, as the Rate Study meets all Proposition 218 requirements. Despite the proposed annual rate increases of 4%, the District's rates are still competitive, particularly for the average residential water customer with a 3/4" meter and 12 hcf usage, as illustrated in the graph below:



Thus, proposed Resolution No. VWD-26-009 (Attachment A) initiates the process required for adjusting the Water Service Rates based upon the Rate Study and as required by Proposition 218. In accordance with California Water Code Section 31007, the proposed rates will provide revenues in the amounts sufficient to pay the operating expenses of the District, and to provide for: construction, ownership, operation, repair and maintenance of equipment, and infrastructure so that the District may continue to provide safe and reliable water service to its customers.

Proposition 218 and AB 2257 Procedures

Proposition 218, a ballot initiative adopted by California voters on November 6, 1996, added Articles XIII C and XIII D to the California Constitution creating certain rules and limitations on the imposition of assessments, taxes, and fees. As subsequently interpreted by the courts, Section 6 of Article XIII D requires a public hearing be scheduled to consider adoption of any new "property-related" rates or fees (including for water services) and that notification to be sent to the owner of record of each identified parcel upon which any new, or increased water rates or charges are proposed to be imposed.

The required notification takes the form of a public hearing notice, which must be mailed at least forty-five (45) days in advance of the public hearing date, and must also describe the amount of the fee or charge proposed to be imposed upon each parcel; the basis upon which the amount of the proposed fee or charge was calculated; the reason for the fee or charge; together with the date, time, and location of the public hearing on the proposed fee or charge. Upon adoption of Resolution No. VWD 26-009, a public hearing would be scheduled to take place at the District Board's regularly scheduled meeting to be held on July 21, 2026 (the "Public Hearing").

Notice of the Public Hearing (the "Notice") will also be prepared by Staff (in consultation with District Counsel and in accordance with Proposition 218) and mailed to the owner of record for each identified parcel upon which the District proposes to impose the new Water Rates. Each record owner will have the right to submit a written protest against the proposed new rates in the manner set forth in the Notice. Although protest procedures are not specified in Proposition 218 or the Proposition 218 Omnibus Act, *Gov. Code §§ 53750-53758*, such written protests are typically permitted to be submitted by mail or in person to the District Secretary no later than the conclusion of the Public Hearing. Such written protests would also need to be signed by the owner of record and contain the parcel number and/or address identification information to ensure authenticity and proper tabulation. In the case of multiple owners of a parcel, only one protest per parcel would be counted.

In addition to the standard Proposition 218 Notice, Public Hearing, and protest requirements, Staff are recommending that the District Board adopt an additional "written objection" procedure pursuant to AB 2257. Under this procedure, a property owner must submit a timely and valid written objection prior to the objection submission deadline stated in the Notice. Failure to submit such an objection results in a failure to exhaust administrative remedies, barring any subsequent legal action by that property owner to challenge the adopted rates.

Resolution No. VWD 26-011 (Attachment B) formally adopts AB 2257 objection procedures, which are detailed Exhibit A thereof. If adopted by the District Board and subsequently invoked for a water rate increase proceeding, as is proposed in Section 6 of Resolution No. VWD-26-009, the District will be required to include several new statutory elements in all Notices. These include: (1) a description of the administrative objection process established under AB 2257, including the requirement that any written objection must be submitted by the deadline listed in the Notice and specify the grounds for alleging Proposition 218 noncompliance; (2) identification of the specific deadline by which written objections must be received (not less than 45 days after Notice mailing); and (3) a link to the District's website where the full written basis for the proposed Water Rates (*i.e.*, the Rate Study) is posted. The District must also mail a copy of the Rate Study to property owners upon request. The District is further required to review and respond in writing to all timely submitted written objections prior to or during the Public Hearing. These requirements ensure transparency and compliance with Government Code Sections 53759.1 and 53759.2.

At the Public Hearing, the District Board will hear testimony and consider all written protests submitted in accordance with Proposition 218. If valid written protests against the proposed rates are presented by a majority of owners of the identified parcels, the District cannot impose the proposed new Water Rates. If there is no majority protest, the District Board could then consider a resolution to adopt the proposed rates; **however, prior to proceeding with any such adoption, the District Board must first review and consider all timely submitted written objections and the District's responses to such objections pursuant to the new AB 2257 process.** As part of this review and consideration process, the District Board has the discretion to determine any of the following:

- A. Whether the written objections and the District's responses warrant clarifications to the proposed Water Rates;
- B. Whether to reduce the proposed Water Rates;
- C. Whether to further review the proposed Water Rates before determining whether clarification or reduction is needed;
- D. Whether to proceed with the Protest Hearing and adopt the proposed Water Rates; and/or
- E. Continue the Public Hearing to a date certain should additional time be needed to review and respond to valid written objections submitted.

If adopted, the proposed Water Rate schedule would take effect for all billings as of August 1, 2026 for FY 2026–2027, and on July 1st for each of the subsequent four fiscal years.

Staff Recommendation

The proposed Rate Study, as set forth in Exhibit 1 to Resolution No. VWD 26-009, ensures that the District complies with all legal requirements and industry cost-of-service standards while maintaining fair and equitable rates for customers. Resolution No. VWD 26-011 further adopts the written objection process and administrative record requirements described in Government Code Sections 53759.1 and 53759.2.

Staff therefore recommends that the District Board adopt Resolution No. VWD 26-009, to set the Public Hearing for July 21, 2026, and authorize mailing of the required Proposition 218 Notices, as well as adopt Resolution No. VWD 26-011 implementing the written objection procedures.

Staff are available for any questions the District Board may have.

Prepared By:

Mel Krejckant, Public Works and Water Administrative Manager

Attachments:

- A. Resolution No. VWD 26-009
- B. Resolution No. VWD 26-011