

Policy 2065 Rate Setting

This policy establishes the framework by which the District sets, reviews, and adjusts rates for water, sewer, and garbage services to ensure full cost recovery, long-term financial sustainability, and equitable treatment of ratepayers.

PURPOSE

The District's utility services—water, sewer, and garbage—are operated as enterprise activities funded primarily through service fees. Rates shall be set at levels sufficient to recover the full cost of operations, maintain required reserves, and fund ongoing capital improvements, while remaining fair, transparent, and compliant with California law. Sound rate-setting practices protect ratepayers from sudden increases and protect the District from financial instability.

SCOPE

This policy applies to all District utility enterprise funds—Water, Sewer, and Garbage—and to any fees or special assessments collected by or on behalf of the District. It applies to the General Manager, Finance and Administration staff, and the Board of Directors in their respective roles in proposing, reviewing, and adopting rates. It does not apply to property tax revenues, grant funding, or Fire Department service fees, which are governed by separate policies.

POLICY

A. Full Cost Recovery

Each utility enterprise fund shall be operated to fully cover its total direct and indirect costs, including operations, maintenance, administrative overhead, debt service, and contributions to capital reserves. The District's goal is that revenues derived from rates shall not exceed the reasonable cost of providing the service.

B. Cost of Service Analysis and Rate Study

The District shall conduct a comprehensive Cost of Service Analysis and Rate Study no less than every five years. The study shall evaluate the full cost of service delivery for each utility, projected capital needs from the 10-year Capital Replacement Plans, reserve funding requirements, and the equitable allocation of costs among customer classes. Rate adjustments shall be based on the findings of this study and incorporated into a multi-year rate schedule to provide ratepayers with predictability.

C. Annual Rate Review

Rates shall be reviewed annually as part of the budget process. In years between formal rate studies, staff shall assess whether existing rates remain sufficient to cover costs and meet reserve targets. If interim adjustments are needed, they shall be based on documented analysis and presented to the Board for approval. Rate adjustments shall not be artificially deferred in a manner that creates future financial instability or requires sudden large increases. Connection fees and capacity charges shall comply with the Mitigation Fee Act (Government Code §66000 et seq.).

D. Proposition 218 Compliance

All rate increases shall comply with the requirements of Proposition 218 (California Constitution, Article XIII D), including written notice to property owners, a public hearing before the Board of Directors, and the protest process. The District shall complete all required noticing and hearings before any new rate schedule takes effect.

E. Delinquent Accounts

The District shall maintain a uniform process for collecting delinquent service fees. Delinquent balances may be submitted to Placer County for collection on the property tax roll, consistent with applicable California law. Delinquencies shall be reported to the Board and tracked as a percentage of total billed revenue. The District's shall monitor delinquency levels and seek to minimize unpaid accounts through consistent collection practices.

TRANSPARENCY AND REPORTING

The District is committed to open and understandable rate-setting practices:

- Rate Schedule Publication – The current rate schedule for all utility services shall be published on the District's website at www.ovpsd.org and updated promptly following any Board-approved change.
- Prop 218 Noticing – All required notices shall be mailed to property owners in advance of any public hearing on a proposed rate increase, in accordance with California law.
- Annual Financial Report – Revenue by service area, rate-to-cost comparisons, and reserve fund balances shall be disclosed in the District's Annual Comprehensive Financial Report and presented to the Board.
- Benchmarking – Rates shall be compared periodically to those of comparable public agencies to ensure the District's rates are reasonable and aligned with similar service providers.
- Policy Review – This policy shall be reviewed periodically and updated as necessary.

(Adopted 05-26-2026)