



Cost of Service and Rate Design Advisory Committee Recommendations

**John Mundy, Committee Chair
Irene Henry, Committee Vice Chair**

Shana Epstein, General Manager

**City Council Presentation
February 27, 2012**

Advisory Committee

John Mundy, Water Professional

Irene Henry, Insurance Agent

Clint Crowell, Sustainability Consultant

Sarah LeClaire, Retail Professional

Don Mills, Retired Engineer

Alejandro Robles, Graduate Student

Diane de Mailly, Local Business Owner

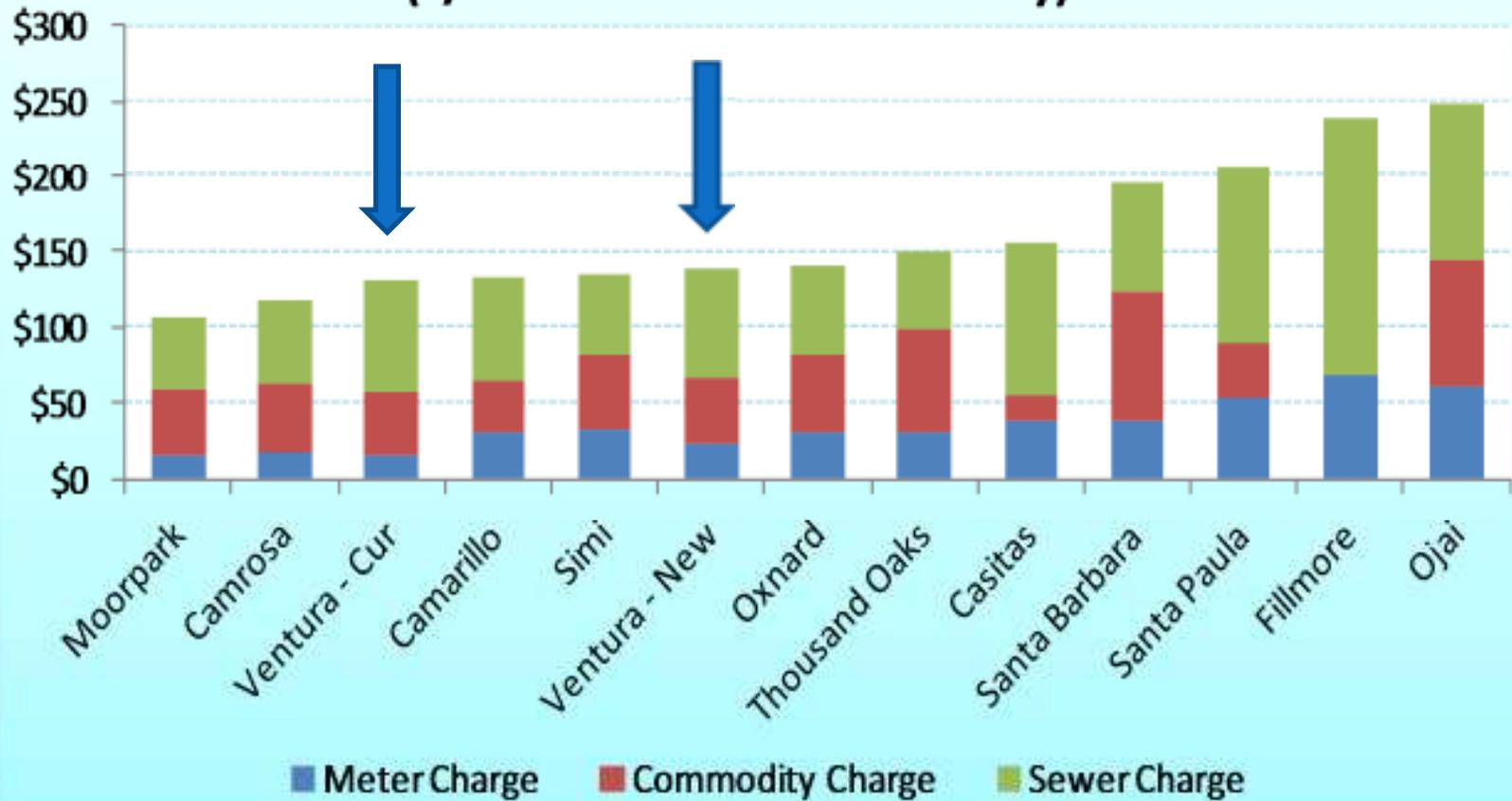
Robert McCord, Retired Attorney

Marty Melvin, Water Professional





Total Bill Comparison (3/4" meter & 20 HCF Bi-monthly)



Capital Investment 2012-2014

Water Utility

Pipelines	\$12,062,500
Facilities	540,000
Pump Stations	2,430,000
Tanks	4,978,789
Treatment	500,000
Wells	6,990,000

Wastewater Utility

Pipelines	\$4,900,285
Facilities	200,000
Lift Stations	700,000
Treatment	13,735,000
Estuary	25,000



Total \$27,501,289
75% \$20,625,967



Total \$19,560,285
75% \$13,218,964

Background

- 1880s – Ventura establishes wastewater and water services
- 1990s – Last Formal Cost of Service Study
- 1990s - California law changes
- July 2009 – Last rate increases
- August 2011 - Hires Raftelis Financial Consultants 
- September 2011 – Forms Cost of Service and Rate Design Advisory Committee

Study Process Overview

Phase 1

Policy Development

- Rate Design and Financial Policy Workshop
- Usage Analysis

Phase 2

Model Development

- Financial Plan
- Cost of Service Analysis
- Rate & Fee Calculations
- Customer Impact Analysis

Phase 3

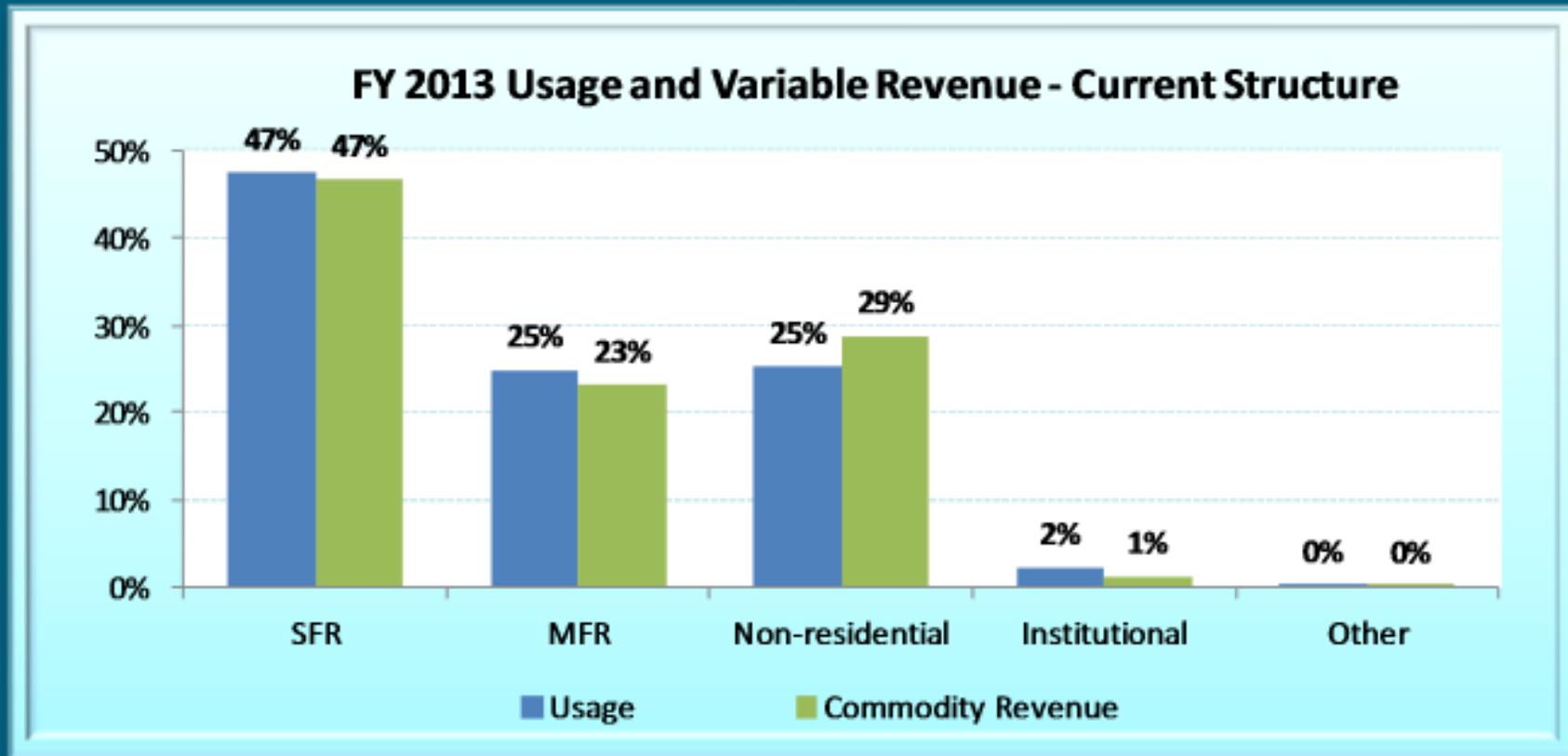
Rate Adoption

- Report Development
- Presentation
- Prop 218 Public Hearing
- Public Outreach

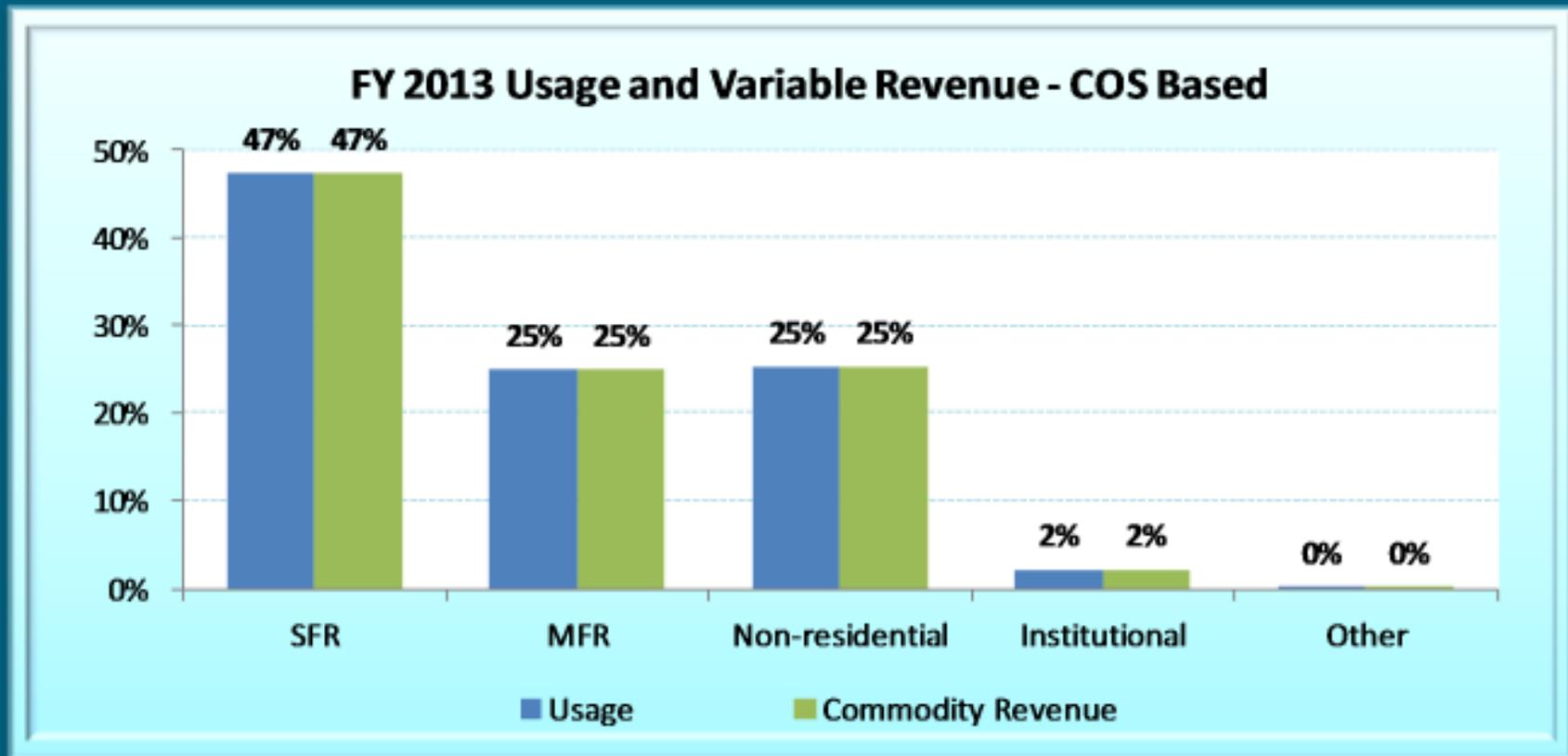
Rate Structure Goals

Classification	Rank	Pricing Objectives	Total Score
Most Important	1	Cost of Service Based Allocations	11
	2	Rate Stability	18
Very Important	3	Revenue Stability	19
	4	Conservation	19
	5	Defensibility	19
Important	6	Minimization of Customer Impacts	21
	7	Simple to Understand and Update	22
	8	Equitable Contributions from New Customers	22
Least Important	9	Economic Development	25
	10	Ease of Implementation	26
	11	Affordability	26

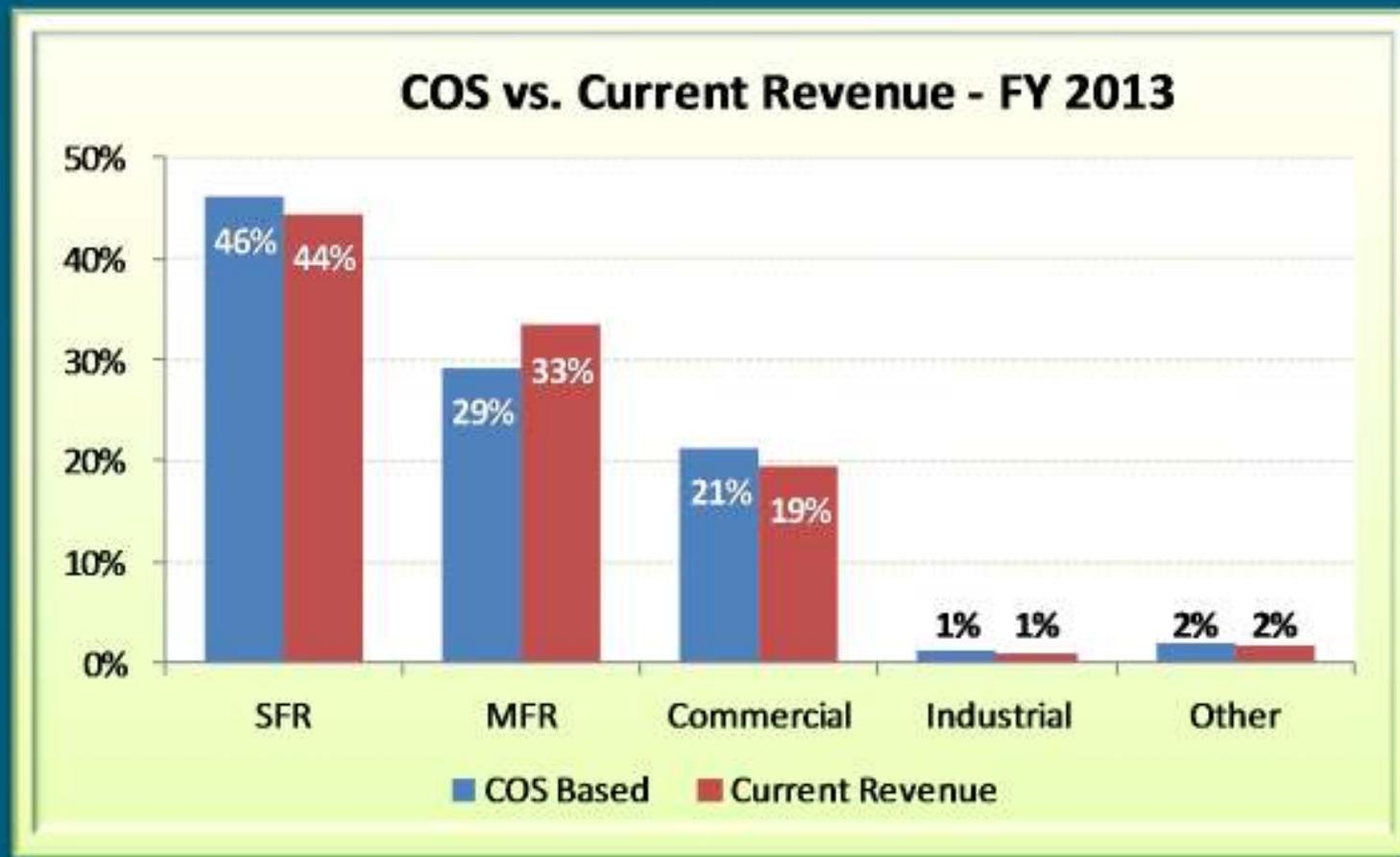
Revenue Comparison - Water



Cost of Service



Revenue Comparison - WW



Water Utility Overview

- 2-yr revenue accumulates to approx \$3.4M
- Fixed charge 25% of revenues
- Single and multi-family residential tiers adjusted
- Outside City rates changed

Single Family Residence	
Current	Proposed
0 to 16	0 to 14
17 to 42	15 to 30
42+	31+

Multi-Family Residence	
Current	Proposed
0 to 10	0 to 10
11 to 24	11 to 16
24+	16+

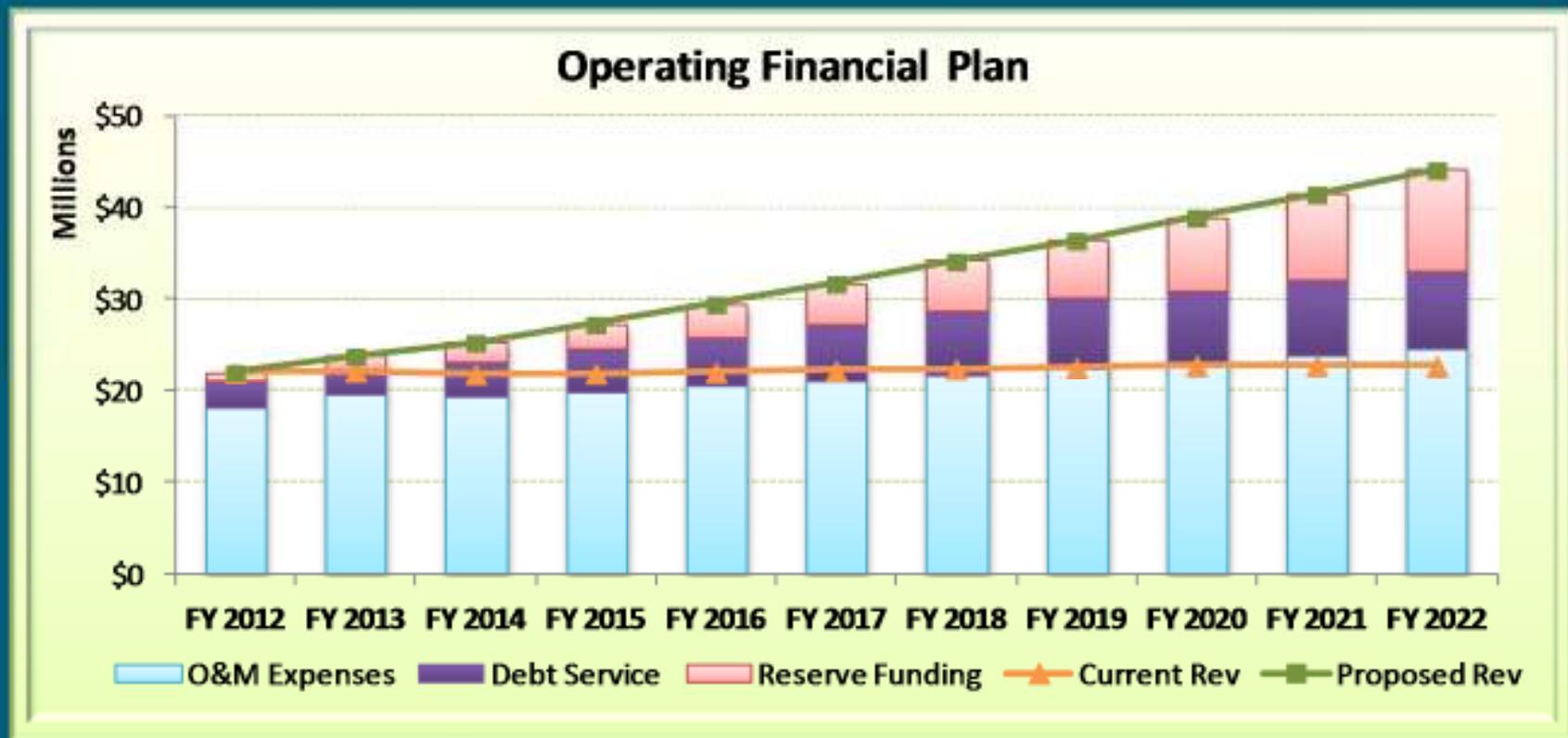
Single Family Total Bi-monthly Water Bill

SFR	Usage (hcf)	Current	July 1, 2012	July 1, 2013	Difference 1	Difference 2
Very Low	5	\$25.13	\$33.04	\$35.85	\$7.91	\$2.81
Low	12	\$39.27	\$46.90	\$50.89	\$7.63	\$3.99
Average	21	\$60.65	\$69.69	\$75.62	\$9.04	\$5.93
High	35	\$97.89	\$115.95	\$125.81	\$18.06	\$9.86
Very High	50	\$150.67	\$182.10	\$197.58	\$31.43	\$15.48

Note: Assume 3/4" meter



Operating Financial Plan - Water



Wastewater Utility Overview

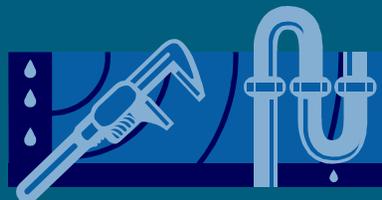
- 2-yr revenue accumulates to approx. \$2.4M
- Residential winter averaging
- Fixed plus flow charges
- Residential flow charges capped
- Estuary protection charge



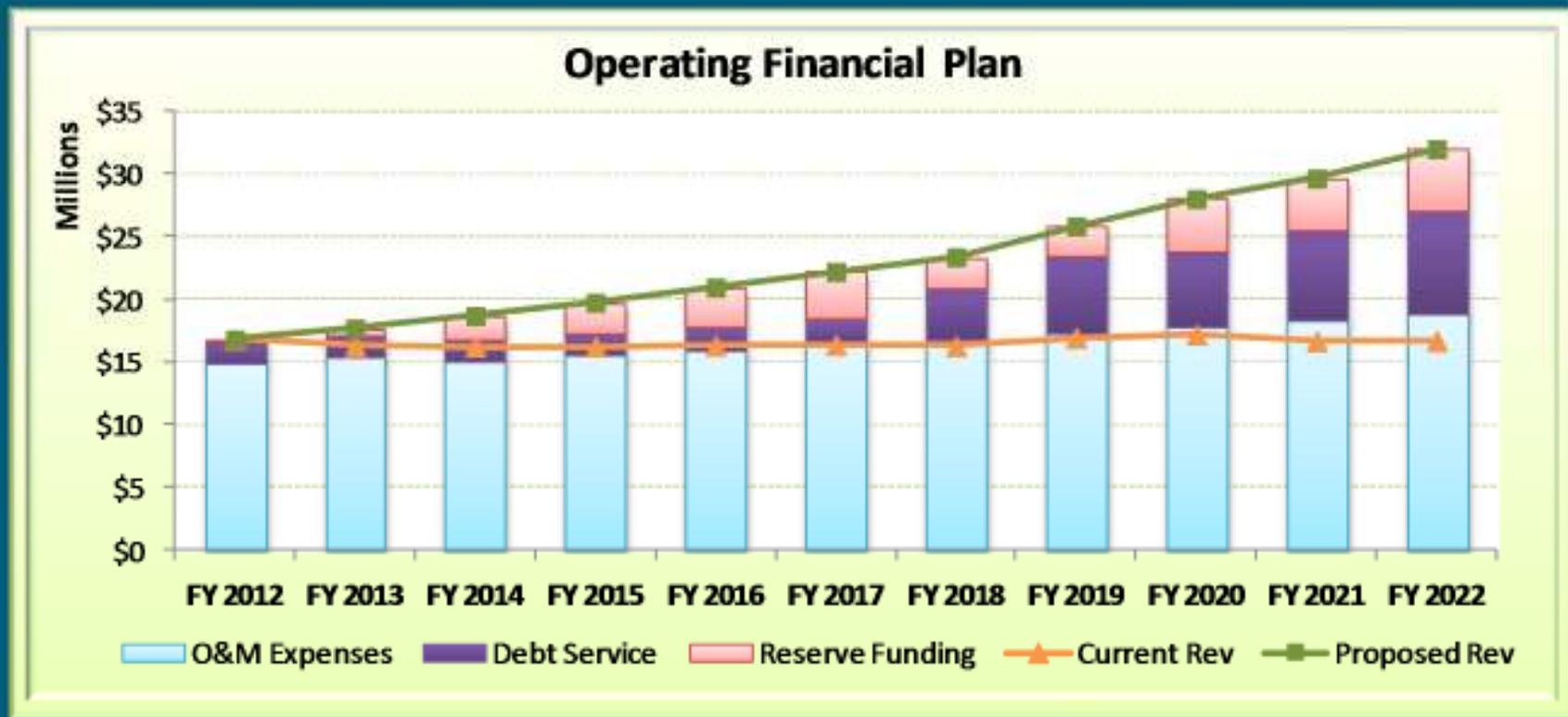


Single Family Total Bi-monthly Wastewater Bill

Winter Avg HCF	Current Bill	7/1/2012 Total Bill	7/1/2013 Total Bill	7/1/2012 Bill	7/1/2013 Bill	7/1/2012 Estuary	7/1/2013 Estuary
5	\$34.27	\$31.62	\$33.54	\$31.00	\$32.25	\$0.62	\$1.29
10	\$42.24	\$45.24	\$48.00	\$44.35	\$46.15	\$0.89	\$1.85
15	\$65.51	\$58.85	\$62.45	\$57.70	\$60.05	\$1.15	\$2.40
20	\$73.27	\$72.47	\$76.91	\$71.05	\$73.95	\$1.42	\$2.96
25	\$73.27	\$86.09	\$91.36	\$84.40	\$87.85	\$1.69	\$3.51
30	\$73.27	\$99.71	\$105.82	\$97.75	\$101.75	\$1.96	\$4.07



Operating Financial Plan - WW





Single Family Total Bi-monthly Combined Bill

SFR	Usage (hcf)	Winter	Current Total	July 1, 2012	July 1, 2013	Difference 1	Difference 2
Very Low	5	5	\$59.40	\$64.66	\$69.39	\$5.26	\$4.73
Low	12	10	\$81.51	\$92.14	\$98.89	\$10.63	\$6.75
Average	21	15	\$126.16	\$128.54	\$138.07	\$2.38	\$9.53
High	35	25	\$171.16	\$202.04	\$217.17	\$30.88	\$15.14
Very High	50	30	\$223.94	\$281.81	\$303.40	\$57.87	\$21.60

Note: Assume 3/4" meter, fixed charge @ 25% of rate revenue





Value of Water



A Gallon of Ventura
TAP WATER .004

A GALLON OF



\$45.00

A GALLON OF



\$16.00

A GALLON OF



\$11.35

A GALLON OF



\$4.00

A GALLON OF



\$2.49

(*Prices based on California averages.)

Ventura Water Quality Standards

1. Safety

Sophisticated water treatment

Water quality testing

Public health/fire protection

2. Reliability

Ongoing maintenance/capital investment

24-hour response to incidents

3. Professional

Highly-trained staff/ technical expertise

Innovation/efficiency focus

4. Stewardship

Environmental protection

Planning for future needs



Next Steps/Schedule

- Final Report and Outreach Plan to Council
 - March 19, 2012
- Proposition 218 Notice Mailed
- Town Hall Informational Meeting
 - April 18, 2012
- Public Hearing
 - May 21, 2012



Recommendations

It is recommended that the Council consider the following information and recommendations from the Cost of Service and Rate Design Advisory Committee.

a. In the course of their review of the Water and Wastewater financial plans the Cost of Service and Rate Design Advisory Committee accepted:

1. The assumptions in the long-range financial plan for two years (FY 2012/13 and FY 2013/14) only.
2. The reserve target for the Water and Wastewater Enterprise Funds.
3. The revenue requirements as recommended to meet the fiscal needs and customer expectations of the Water and Wastewater Enterprise Funds for two years (FY 2012/13 and FY 2013/14) only.
4. The recommended rate structures.
5. The recommended separately billed line item for the Estuary Protection Fund for two years (FY 2012/13 and FY 2013/14) with these funds used for planning purposes.

Recommendations

b. In addition, the Committee recommends to Council that the current pass through ordinance language be updated to reflect Proposition 218 requirements and clarify the factors by which the rates may be adjusted with this tool.

c. Lastly, the Committee recommends that Council exempt the Water and Wastewater Enterprise Funded Capital Projects from the 2% Public Art obligation in order to remove an undue hardship on the customers of Ventura Water to support public art as part of paying for water and wastewater services.