



# ADMINISTRATIVE REPORT

Date: November 10, 2011

Agenda Item No: 4

Meeting Date: November 16, 2011

**To: COST OF SERVICE AND RATE DESIGN CITIZEN ADVISORY COMMITTEE**

**From: SHANA EPSTEIN, VENTURA WATER GENERAL MANAGER**

**Subject: LONG TERM FINANCIAL PLANS**

## **RECOMMENDATION**

It is recommended that the Committee receive the Long-Term Financial Plan Presentation for Ventura Water that will become part of the Cost of Service and Rate Design Study.

## **SUMMARY**

Raftelis Financial consultants will be presenting the Long Term Financial Plan that will be the basis to establish the Cost of Service and Rate Design Study. The presentation will include but not limited to proposed reserve policies, cost escalation assumptions and an aggressive capital program to replace and enhance the City's water, wastewater and reclaimed water infrastructure.

## **DISCUSSION**

*What is included in a long term financial plan?*

A number of assumptions are made with the best available information. Those assumptions are then translated into dollars that lead to establishing revenue requirements. Revenue may be realized through rates, financing and grants.

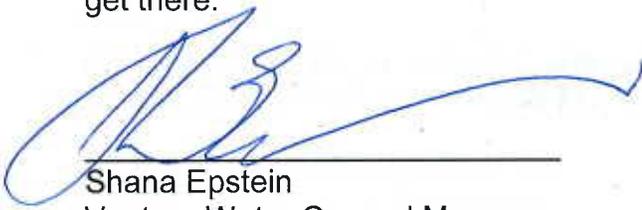
The assumptions:

- Reserves: For this analysis the reserve is proposed to be 25% of operating expenses and eventually 100% of the annual capital improvement program budget for replacement projects. In the first five years, the reserve will begin at 50% of the capital improvement program budget for annual replacements and escalate to 100%. The purpose of reserves is to have enough funds to operate for three months and enough funds to fix any unexpected infrastructure failures.

- Debt Coverage: For this analysis the debt coverage minimum is defined in coordination with our existing debt covenants of 125% of operating expenses.
- Customer Growth by Classification: For the first couple of years staff does not expect much growth, but for future years a modest growth is anticipated.
- Utility Expenses include electric and natural gas costs.
- Chemicals address the disinfection and treatment requirements for the variety of water resources provided.
- Salary and Benefits will escalate in conjunction of Memorandums of Understanding with various represented employees and projections from the Chief Financial Officer.
- Capital Improvement Program was compiled through evaluating current needs, master plans and regulatory requirements.

*What is the purpose of a long term financial plan?*

Ventura Water is on a new course to integrate water resources to provide a safe and reliable supply for many generations. So this road map includes the financial obligations to get there.



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Shana Epstein  
Ventura Water General Manager