



ADMINISTRATIVE REPORT

Date: October 17, 2013

Agenda Item No.: 6

Meeting Date: October 23, 2013

To: VENTURA WATER RATE CITIZEN ADVISORY COMMITTEE

From: SHANA EPSTEIN, GENERAL MANAGER

A handwritten signature in blue ink, appearing to read "SE".

Subject: OPERATING BUDGET OVERVIEW

RECOMMENDATION

The staff recommends that the Committee accept and receive the reports presented defining the operating and maintenance costs for the water and wastewater enterprise funds.

SUMMARY

During the tenure of this Committee, Ventura Water and the consultants will be presenting information that reflects the best knowledge at the time. The Committee is being asked to understand in general the costs associated with the revenue requirements for the water and wastewater utilities. The final recommendation by the Committee will use all of this information to determine an adequate revenue requirement reflected in water and wastewater rates that are charged the various customer classifications.

DISCUSSION

On October 23, 2013, Raftelis Financial Consultants will present all the costs associated with the operations and maintenance budgets for the four years in question. That presentation will be distributed prior to the meeting as well as fully discussed. Any item the Committee would like more information on that cannot be answered that evening will be researched by staff and brought back to the Committee in November.

In addition, the water utility has some large budget increases for the upcoming years in the operations. Attached is a memorandum to explain some of the larger expenses prior to the meeting.

ATTACHMENT

Memorandum: Water Operations Budget Increase Detail



MEMORANDUM

Date: October 17, 2013

Agenda Item No: Attachment to Item No. 6

Meeting Date: October 23, 2013

To: SHANA EPSTEIN, VENTURA WATER GENERAL MANAGER

From: OMAR CASTRO, VENTURA WATER UTILITY MANAGER 

Subject: WATER OPERATIONS BUDGET INCREASE DETAIL

Since 1923, Ventura Water has provided our residents and businesses with a 100% local reliable quality drinking water supply. As costs for purchased water supplies and groundwater pumping charges rise, Ventura Water is actively seeking cost effective methods to expand its use of alternative water supply sources. In addition to the increasing water supply costs, Ventura Water is also facing higher costs to maintain its aging infrastructure for the +113,000 customers that depend every day on our services. Due to the unpredictable nature of these expenses from year to year, the proposed budget for the next four years represent our most reasonable estimate at this moment in time. In the past, unbudgeted increases were absorbed into existing budget allocations, limiting funding and delaying other planned maintenance activities. These potentially significant cost pressures will require exploration of additional financial strategies, such as implementation of a pass-through charge, to manage in the future.

DISCUSSION

The purpose of discussing the major expenditures for the Water operations is to clearly define the City's utilities' obligations to provide safe and reliable drinking water to our customers and to understand the possible impacts that these obligations may have going forward.

Casitas Purchased Water Charges

The City annually uses between 5,500 and 6,000 acre feet of water from the Casitas Municipal Water District (CMWD). Based on the current contractual agreement, Ventura Water will pay an increased charge of \$786,000 in FY 14/15. This increase reflects the increased charges for "Out of District Rental Water Demand" and the recent water rate increase from 79 to 83 cents per HCF (748 gallons).

**Casitas Water Worksheet
Fiscal Year 2009-2010**

Casitas Purchased	6001.68
Casitas In District Demand	5230.14
Casitas out of District Demand	771.45

**Casitas Water Worksheet
Fiscal Year 2010-2011**

Casitas Purchased	6041.23
Casitas In District Demand	4370.67
Casitas out of District Demand	1670.56

**Casitas Water Worksheet
Fiscal Year 2011-2012**

Casitas Purchased	5105.04
Casitas In District Demand	4493.94
Casitas out of District Demand	611

**Casitas Water Worksheet
Fiscal Year 2012-2013**

Casitas Purchased	5214.5
Casitas In District Demand	4642.37
Casitas out of District Demand	572.13

Impacts: While our operations makes every effort to minimize the amount of water used out of the Casitas District by utilizing Ventura River water, the available water from the Ventura River remains very unpredictable due to the lack of precipitation and diminished river flow. The current production from the Ventura River consists of Nye Well No. 7 operating at 450 gallons per minute and the Subsurface Intake Structure operating at 550 gallons per minute. Nye Well No. 8 is offline due to mechanical failure and Nye Well No. 11 is off due to lack of supply. Overall, the available water from the Ventura River is approximately 1/3 of the wet period flow operations.

Ground Water Pumping Charges

In addition to the purchased water costs from CMWD, an increase of \$115,000 is projected in groundwater pumping charges primarily from the United Conservation District and Fox Canyon. The proposed budget reflects 2012 actual water production and the historical rates from United Conservation Water District and Fox Canyon GMA.

Electricity Increases

Ventura Water needs energy to pump water from our groundwater wells and to move it through the water distribution system. As a customer of Southern California Edison, Ventura Water will be impacted by the power supply rate increases that are projected to increase by \$175,000. These costs would be expected to decrease if a substantial rainfall were to occur due to the reduced seasonal demand and reduced pumping requirements.

Operation and Maintenance Costs

With every aging infrastructure there is a related cost for emergency and urgent repairs. As we continue to repair broken water mains and services lines there is an inherent cost for materials and labor to repair the subsurface foundation and to resurface our City streets. As a result of these ongoing repairs, an increased operating cost of \$ 200,000 is projected.

Well Management Costs

In order to protect and prolong the life of our groundwater wells, Ventura Water has enhanced our well and motor maintenance program. The program will provide a routine inspection and maintenance of the down-hole well components and the electrical components. By removing wells from service and performing video logs to establish historical trends related to wear and by performing timely preventive maintenance, costly repairs due to premature failures can be avoided. This program is projected to increase the budget by \$140,000.

Filtration & Tank Maintenance Costs

As identified in our routine Department of Public Health inspections, our water distribution tanks and pressure filter vessel internal coatings have surpassed their expected life. In order to protect the metal surfaces from failure due to corrosion and protect the integrity of our water quality, an extensive corrosion and cathodic protection analysis will need to be performed. This necessary analysis will result in a \$240,000 budget increase over the next two years.

Engineering Services

Ventura Water relies on outside consultants to assist with groundwater hydrology, well development, water quality improvements, environmental compliance and regulatory compliance. The three major projects in this budgeted item are revision of the Ventura Water Vulnerability Assessment to meet the Homeland Security responsibilities, alternative water treatment study for regulatory compliance, and ground water basin management. These essential services have resulted in an annual \$335,000 budget increase.

Water Quality: As many of our customers are already aware, the east end of Ventura relies on groundwater as their primary source. As our groundwater sources are high in Total Dissolved Solids (TDS) and Sulfate, the California Department of Public Health Service has directed Ventura Water to begin developing a process that will improve water quality by developing treatment techniques or blending water sources to meet the maximum contaminant levels (MCL) for TDS and Sulfate. Ongoing planning costs are budgeted at \$60,000 annually.

Vulnerability Assessment: The 2002 Bioterrorism Act requires community drinking water systems serving populations of more than 3,300 persons to conduct assessments of their vulnerabilities to terrorist attack or other intentional acts and to defend against adversarial actions that might substantially disrupt the ability of a system to provide a safe and reliable supply of drinking water. The requirements of the Act assign EPA and water utilities responsibilities to enhance water sector security and to develop response measures for potential threats to the nation's water supplies and systems. Ventura Water will be updating our Vulnerability Assessment and Emergency Response Plan in 2014 with a budget increase of \$25,000.

Ground Water Basin Management: Ventura Water uses the services of Hopkins Ground Water Consultants to assist staff and legal counsel on a variety of environmental and legal issues related to Fox Canyon, Oxnard Basin, Santa Paula Basin, Mound Basin, and the United Water Conservation District. This \$250,000 annual professional services agreement is essential for Ventura Water to maximize and protect our local water supply source and operate as efficiently as possible.
