

Ventura Water Cost of Service & Rate Design Study

Citizen Advisory Committee Meeting

January 25, 2012



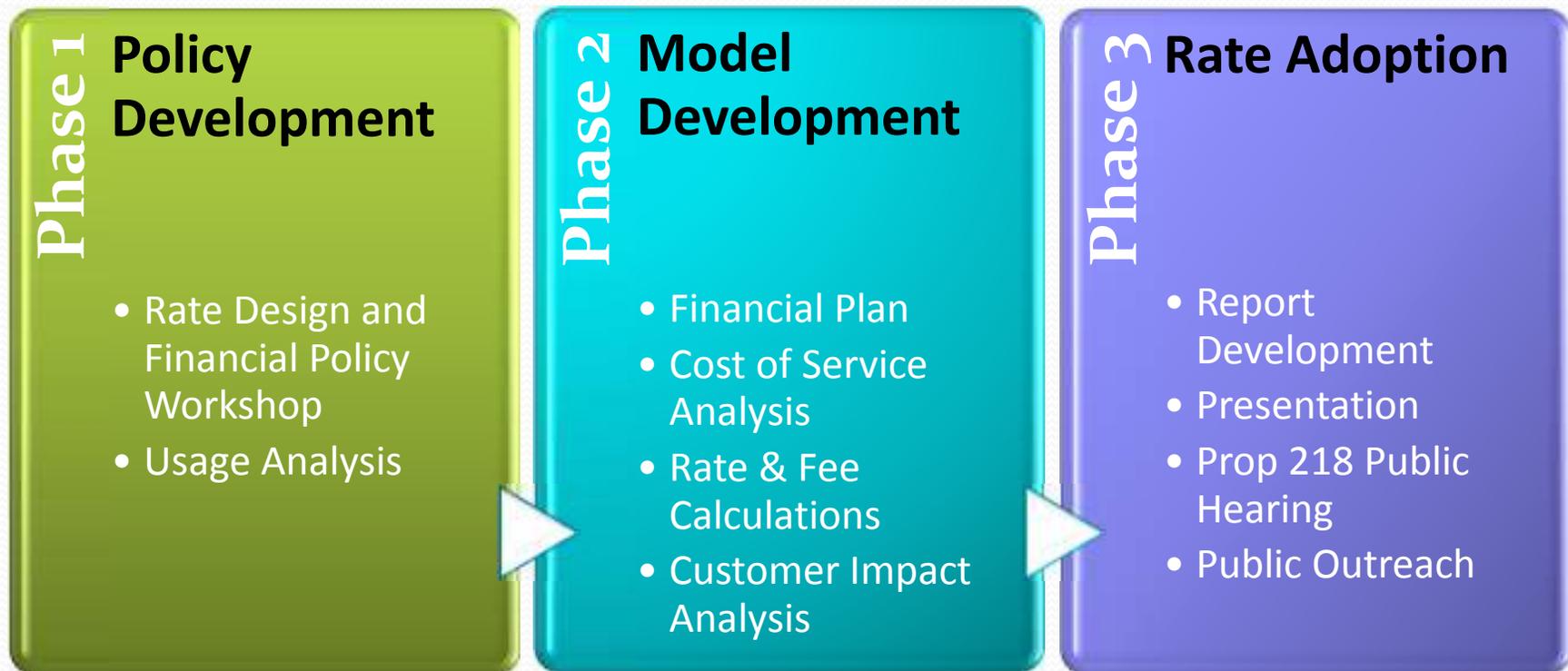
Overview

- Study Process Overview
- Water Utility
 - Financial plan
 - Proposed water rate schedule
 - Customer impacts
- Wastewater Utility
 - Financial plan
 - Proposed wastewater rate schedule
 - Customer impacts
- Rate Survey
- Pass-Through Costs Ordinance
- Next Steps/Discussion/Q&A

Objectives of Rate Study

- Develop long-term financial plan for financial stability
 - Meet operating and capital costs, debt coverage and reserve requirements
- Design appropriate rate structure to enhance equity, revenue stability, and promote conservation
- Ensure public acceptance and successful implementation

Study Process Overview



WATER UTILITY

Capital Financing Plan - Water

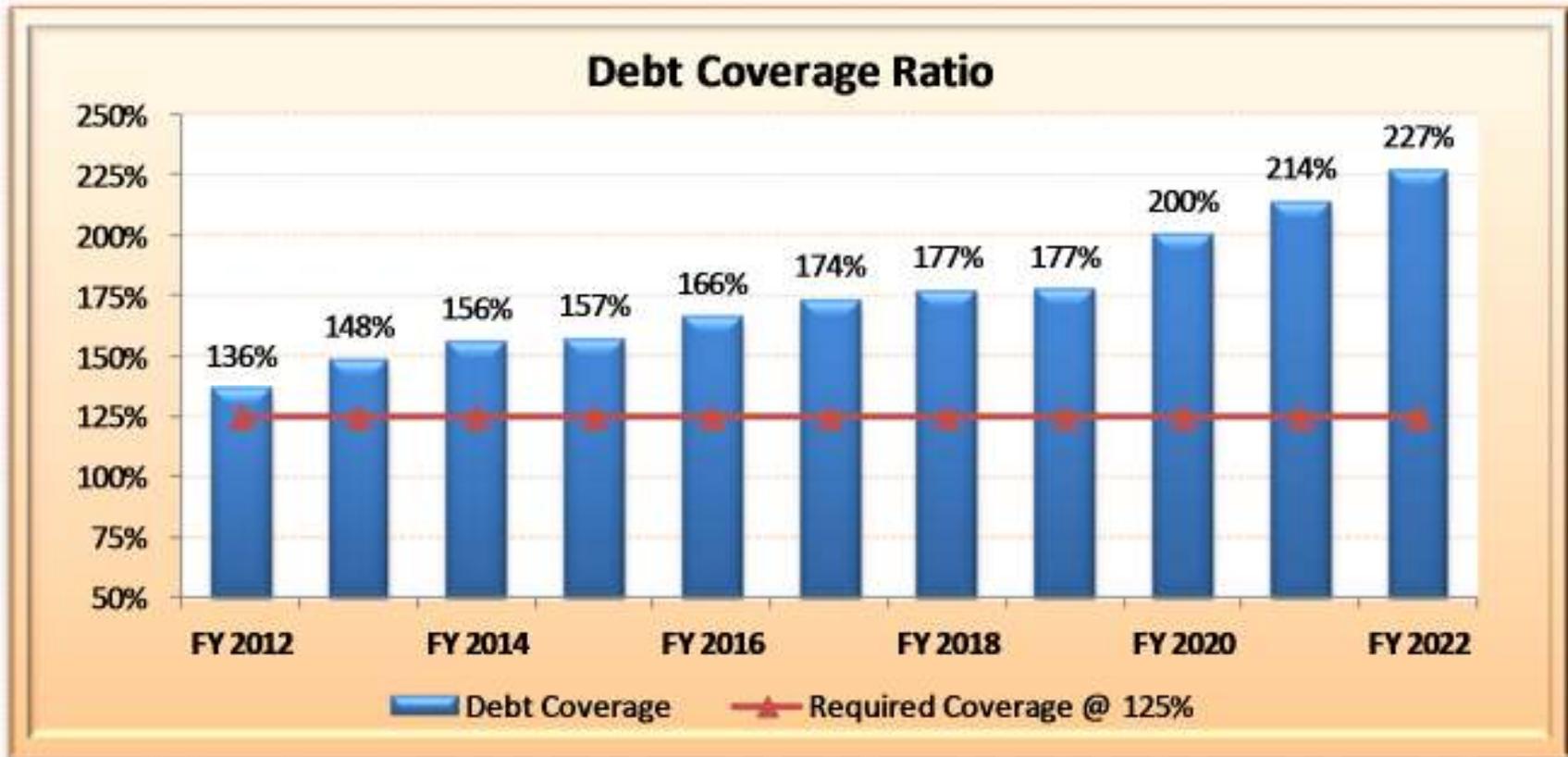


Debt issues: \$25M in FY 2014, \$20M in FY 2016, \$25M in FY 2018, and \$10M in FY 2021

Revenue Requirements - Water



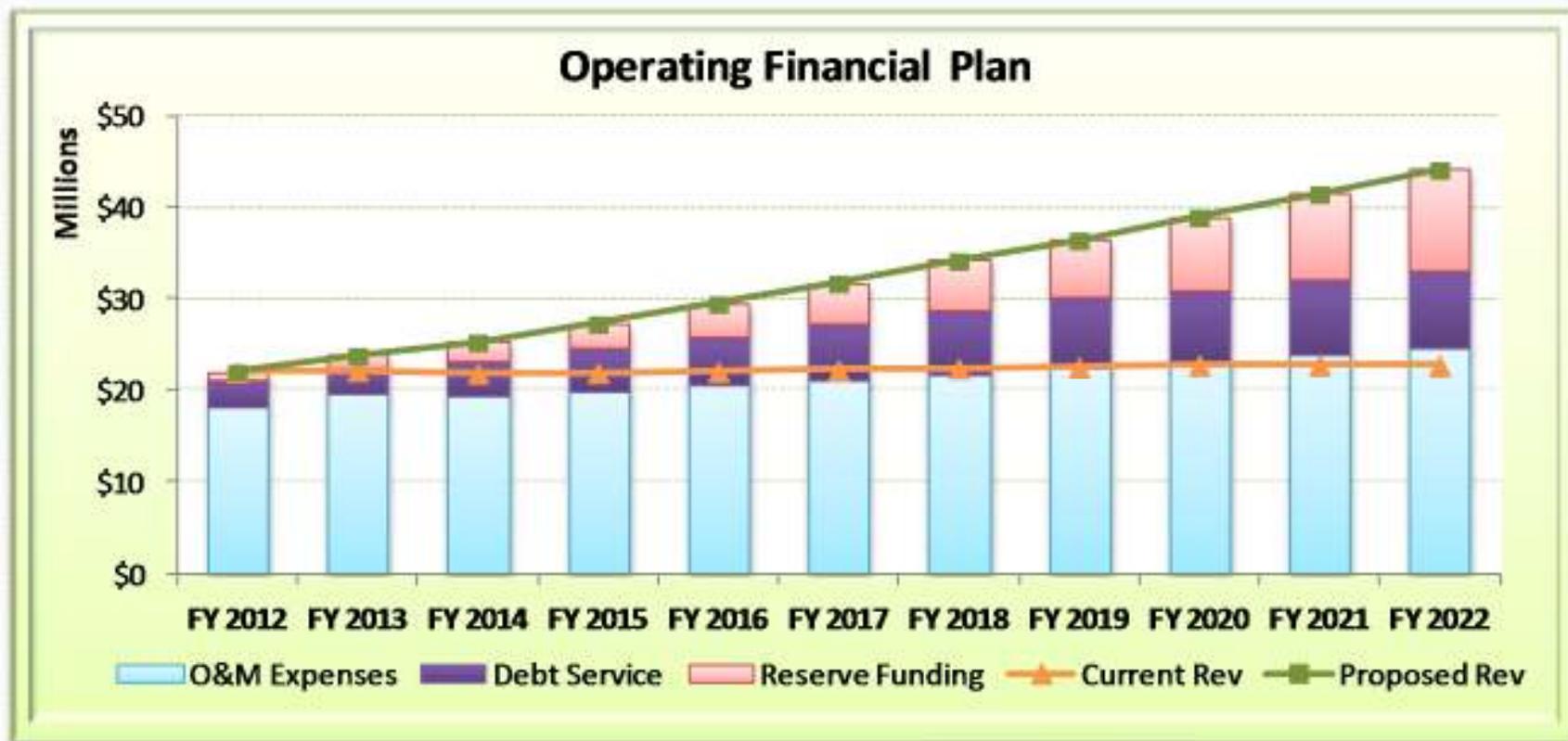
Debt Coverage Ratio - Water



Reserves Balance - Water



Operating Financial Plan - Water



Outside-City Rates Differential

- Current rates
 - 170% times the Inside-City rates
- Proposed rate has three components:
 - Property tax on water utility's assets - \$0.05/hcf
 - Police and fire protection costs on water utility's assets - \$0.10/hcf
 - Differential water supply costs - \$0.58/hcf
- Total Outside-City surcharge: \$0.73/hcf

Hcf – hundred cubic feet, 748 gallons

Proposed Water Rate Schedule

Proposed service charge revenue totals 25% of total rate revenue

	Current	Effective	
	Rates*	July 1, 2012	July 1, 2013
Bi-Monthly Service Charge			
Meter Size			
3/4"	\$15.03	\$23.14	\$25.11
1"	\$28.74	\$35.34	\$38.35
1 1/2"	\$47.76	\$65.86	\$71.46
2"	\$66.76	\$102.48	\$111.20
3"	\$150.42	\$218.43	\$237.00
4"	\$245.49	\$389.31	\$422.41
6"	\$483.06	\$798.20	\$866.05
8"	\$720.60	\$1,469.52	\$1,594.43
10"	\$958.15	\$2,323.92	\$2,521.46
12"	\$1,100.68	\$3,056.26	\$3,316.05

Proposed Water Rate Schedule

		Current Rates*	Effective July 1, 2012	Effective July 1, 2013
Volume Rates (\$/hcf)				
SFR				
Tier 1	0 to 14	\$2.02	\$1.98	\$2.15
Tier 2	15 to 30	\$2.66	\$2.69	\$2.92
Tier 3	30+	\$4.27	\$4.41	\$4.79
MFR				
Tier 1	0 to 10	\$2.02	\$1.98	\$2.15
Tier 2	11 to 16	\$2.66	\$2.69	\$2.92
Tier 3	16+	\$4.27	\$4.41	\$4.79
Non-Residential		\$2.66	\$2.48	\$2.70
Institutional/Interruptible Rate		\$1.40	\$1.98	\$2.15
Reclaimed Water		\$0.50	\$0.64	\$0.68
Untreated Water		\$1.40	\$1.88	\$2.04
Outside City Rates		170% of Inside	Add \$0.73/hcf	Add \$0.76/hcf

*Current rates have different tiers

SFR Impacts – Total 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

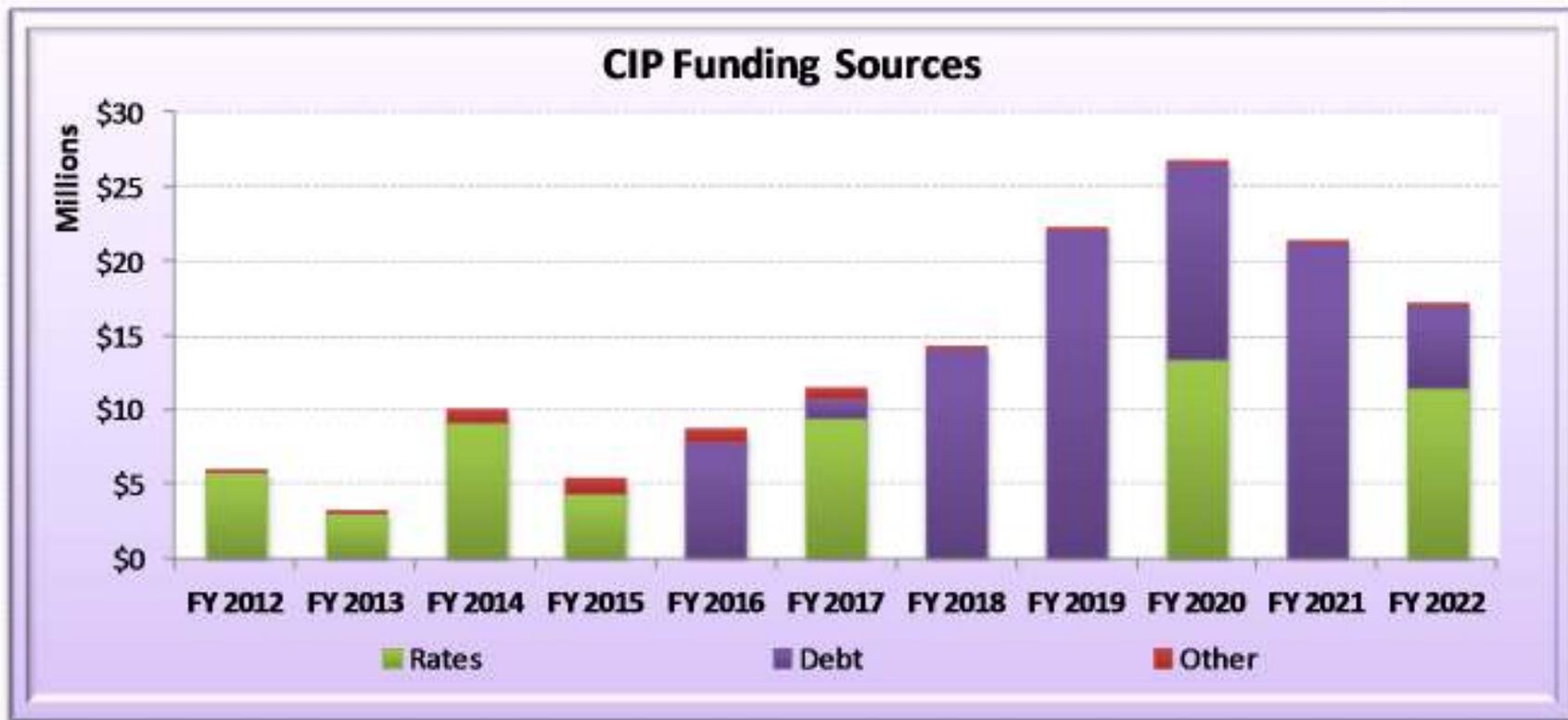
MFR Impacts – Total Water Bill

MFR	Usage (hcf)	Current	July 1, 2012	July 1, 2013	Difference 1	Difference 2
Very Low	3	\$21.09	\$29.08	\$31.56	\$7.99	\$2.48
Low	8	\$31.19	\$38.98	\$42.30	\$7.79	\$3.32
Average	13	\$43.21	\$51.01	\$55.35	\$7.80	\$4.34
High	22	\$67.15	\$85.54	\$92.82	\$18.39	\$7.28
Very High	35	\$119.44	\$142.87	\$155.02	\$23.43	\$12.15

Note: Assume 3/4" meter

WASTEWATER UTILITY

Capital Financing Plan - WW

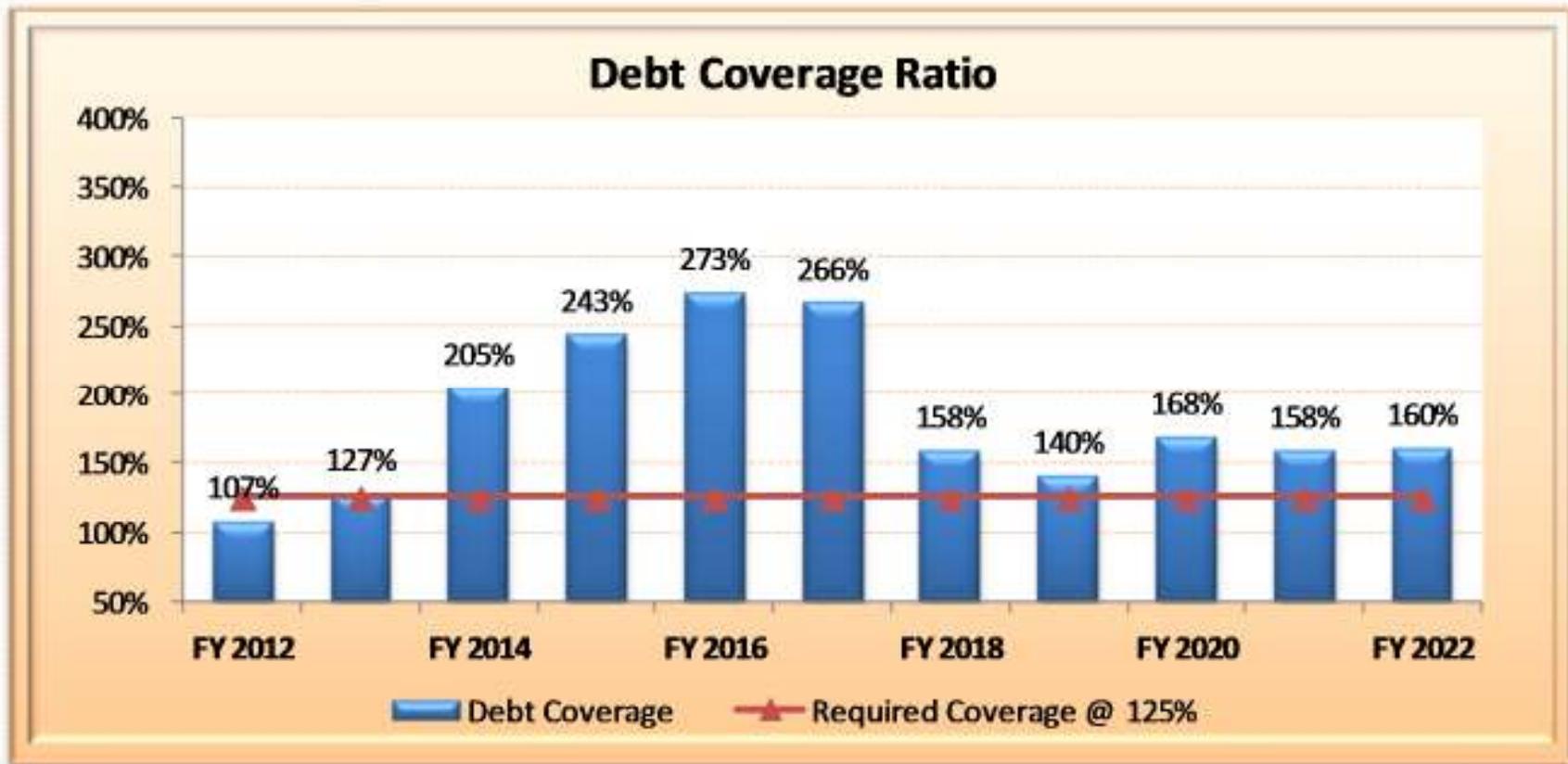


Debt issues: \$10M in FY 2016, \$55M in FY 2018, and \$30M in FY 2021

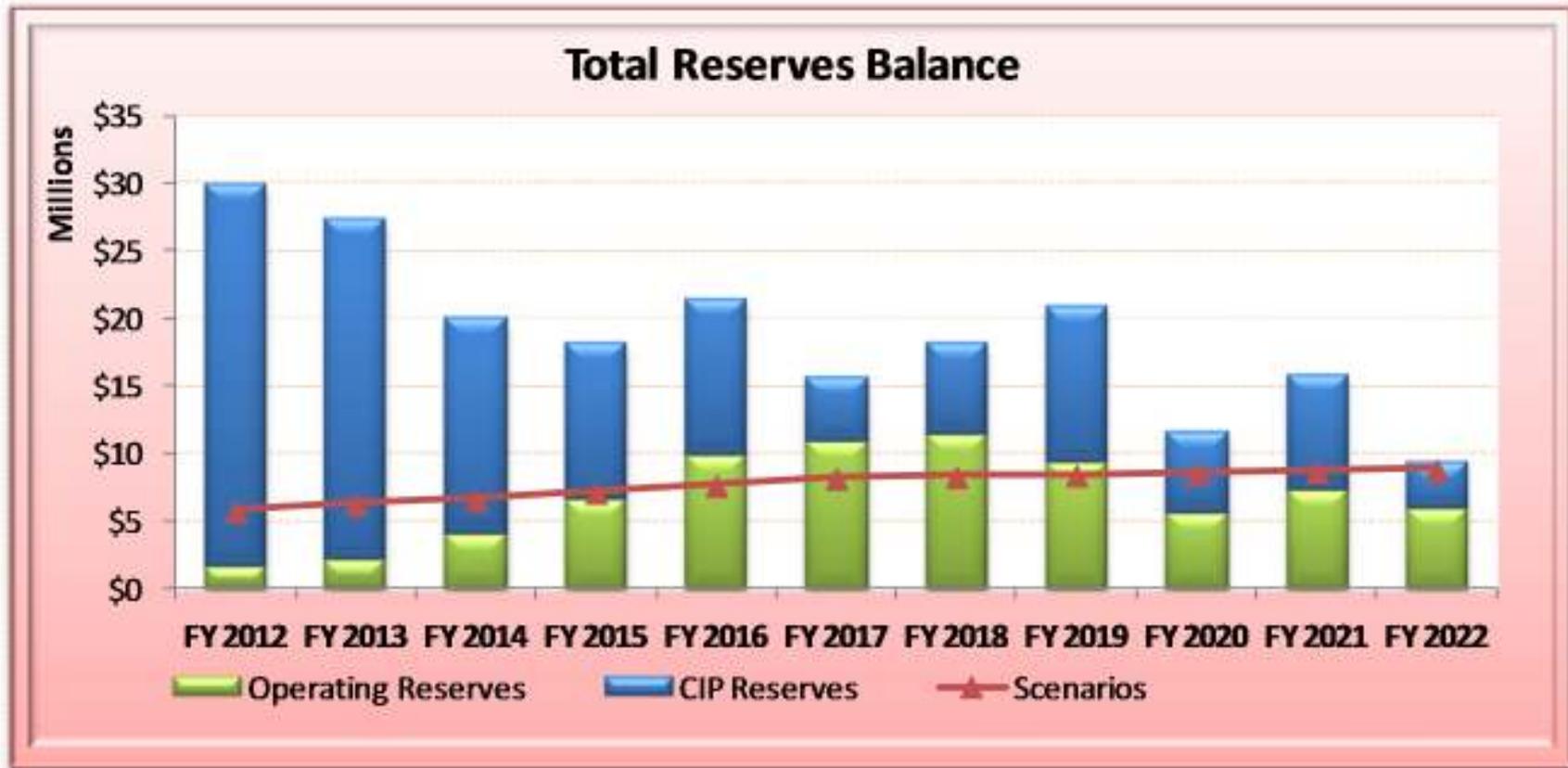
Revenue Requirements - WW



Debt Coverage Ratio - WW



Reserves Balance - WW



Operating Financial Plan - WW



Fixed Charge Calculation

- Proposed fixed charge includes billing and customer service costs
 - Total fixed charge revenue equals 25% of rate revenue
- Alternative
 - Increase fixed charge → increase total fixed revenue collected
 - Result in greater revenue stability but would adversely impact low volume customers

Winter Water Usage Cap

- Proposed cap of 30 hcf for average winter water usage for SFR and 24 hcf for MFR
 - 30 hcf provides indoor water usage for 7 people per household
 - Approximately 11% of SFR users have water usage above that cap
 - 24 hcf provides indoor water usage for 5.5 people per household
 - Approximately 5% of MFR users have water usage above that cap
- Alternatives
 - Alternative 1: Increase cap to 40 hcf for SFR and to 30 hcf for MFR
 - Approximately 4% of SFR users have water usage above that cap
 - Approximately 2% of MFR users have water usage above that cap
 - Alternative 2: No cap

Cap and Resultant Rates

SFR Bi-monthly Cap	% Bills Exceed Cap	MFR Bi-monthly Cap	% Bills Exceed Cap	Flow Charge (\$/hcf)
20 hcf	31%	16 hcf	19%	\$3.02
30 hcf	11%	24 hcf	5%	\$2.72
40 hcf	4%	30 hcf	2%	\$2.64
No Cap		No Cap		\$2.54

Note: Rate includes the 2% estuary protection charge

Wastewater Rate Scenarios

- Residential usage (HCF) is determined based on average billing for 2 bills received between February through May

Per Unit	Bi-monthly Fixed	Flow Charge: Cap @ 30 hcf	Flow Charge: Cap @ 40 hcf	Flow Charge: No Cap
SFR	\$18.00	\$2.72	\$2.64	\$2.54
Max Bill		\$99.60	\$123.60	None
MFR*	\$13.32	\$2.72	\$2.64	\$2.54
Max Bill		\$78.60	\$92.52	None

*MFR has cap at 24 hcf and 30 hcf correspondingly

Note: Rate includes the 2% estuary protection charge

Estuary Protection Fund Charge

- A portion of each customer's total wastewater bill would be deposited into the Estuary Protection Fund to be used to fund a portion of the estimated capital costs and pay the debt service on the remaining capital costs
 - Subject to an annual rate cap of 3% per year
- Proposed estuary protection fund charge
 - FY 2013 – 2% of total wastewater bill
 - FY 2014 – 4% of total wastewater bill

Current Residential WW Rates

- Residential usage (HCF) is determined based on lowest billing between December through April.

	HCF	Current Rates
Tier 1	0 - 8	\$34.27
Tier 2	9 - 10	\$42.24
Tier 3	11 - 12	\$50.00
Tier 4	13 - 14	\$57.76
Tier 5	15 - 16	\$65.51
Tier 6	17+	\$73.27

Proposed WW Rate Schedule – With Separate Estuary Protection Charge

	Effective	
	July 1, 2012	July 1, 2013
SFR		
Bi-monthly Fixed Charge	\$17.65	\$18.35
Bi-monthly Flow Charge*	\$2.67	\$2.78
Maximum Bill (cap at 30 hcf)	\$97.65	\$101.71
Max Estuary Protection Fund Charge	\$1.99	\$4.23
MFR		
Bi-monthly Fixed Charge	\$13.06	\$13.58
Bi-monthly Flow Charge*	\$2.67	\$2.78
Maximum Bill (cap at 24 hcf)	\$77.06	\$85.83
Max Estuary Protection Fund Charge	\$1.57	\$3.34

*Based on average winter usage for 2 full billing cycles
for bills received February through May

Proposed WW Rate Schedule – With Integrated Estuary Protection Charge

	Effective	
	July 1, 2012	July 1, 2013
SFR		
Bi-monthly Fixed Charge	\$18.00	\$19.08
Bi-monthly Flow Charge*	\$2.72	\$2.89
Maximum Bill (cap at 30 hcf)	\$99.60	\$105.78
MFR		
Bi-monthly Fixed Charge	\$13.32	\$14.12
Bi-monthly Flow Charge*	\$2.72	\$2.89
Maximum Bill (cap at 24 hcf)	\$78.60	\$83.48

*Based on average winter usage for 2 full billing cycles
for bills received February through May

Non-Residential User Classification

Group 1	Laundromats	Group 2	Hotels and motels without dining facilities
	Car wash		Commercial laundries
	Professional offices	Group 3	Hotels with dining facilities
	Convalescent homes	Group 4	Mortuaries
	Wholesale establishments		Grocery stores with garbage grinders
	Offices	Group 5	Bakeries
	Retail establishments		Restaurants
	Public buildings		Multi-use shopping centers
	Barber and beauty shops	Group 6	Plant nurseries
	Gas stations and garages		
	Bars without dining facilities		
	Theaters		
	Gyms		
	Hospitals		
	Grocery stores without garbage grinders		

Industrial customers, schools and churches are separate classes

Current Non-Residential WW Rates

Class	HCF	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6
Commercial	0 - 8	\$16.07	\$24.26	\$36.38	\$56.79	\$47.74	\$73.27
	9+	\$2.63	\$3.15	\$5.39	\$7.03	\$6.57	

Customer Class	Unit	Current Rates
Industrial (monthly)		
Flow	(\$/MG)	\$2,470.10
COD	(\$/klbs)	\$280.51
SS	(\$/klbs)	\$597.62
School with showers	(\$/100 ADA)	\$131.89
School without showers	(\$/100 ADA)	\$102.58
Church	(\$/unit)	\$73.27

Schools Rate Calculation

- Current rates
 - Schools with showers: 1.8 times the highest SFR rate
 - Schools without showers: 1.4 times the highest SFR rate
- Proposed rates basis
 - 10 gallons per student per day for 180 days to estimate wastewater generation

Customer Class	Unit	Current	Proposed	Difference
School with showers	(\$/100 ADA)	\$131.89	\$130.73	(\$1.16)
School without showers	(\$/100 ADA)	\$102.58	\$130.73	\$28.15

Proposed WW Rate Schedule – With Separate Estuary Protection Charge

	Effective	
	July 1, 2012	July 1, 2013
Commercial		
Bi-monthly Fixed Charge	\$17.65	\$18.35
Bi-monthly Flow Charge**		
Group 1	\$3.13	\$3.26
Group 2	\$3.58	\$3.72
Group 3	\$4.61	\$4.80
Group 4	\$5.61	\$5.84
Group 5	\$5.12	\$5.33
Group 6	\$1.08	\$1.13
Churches	\$2.33	\$2.43
Schools (100 ADA)	\$128.17	\$133.25
Industrial		
Flow (MG)	\$3,689.47	\$3,835.63
COD (klbs)	\$153.01	\$159.08
SS (klbs)	\$283.68	\$294.92
Estuary Protection Fund Charge	2% of bill	4% of bill

** Based on actual water usage

Proposed WW Rate Schedule – With Integrated Estuary Protection Charge

	Effective	
	July 1, 2012	July 1, 2013
Commercial		
Bi-monthly Fixed Charge	\$18.00	\$19.08
Bi-monthly Flow Charge**		
Group 1	\$3.19	\$3.39
Group 2	\$3.65	\$3.87
Group 3	\$4.70	\$4.99
Group 4	\$5.72	\$6.07
Group 5	\$5.22	\$5.54
Group 6	\$1.11	\$1.18
Churches	\$2.38	\$2.53
Schools (100 ADA)	\$130.73	\$138.58
Industrial		
Flow (MG)	\$3,763.26	\$3,989.06
COD (klbs)	\$156.07	\$165.44
SS (klbs)	\$289.35	\$306.72

** Based on actual water usage

SFR Impacts – Total WW Bill

With Separate Estuary Protection Charge

Bi-Monthly Usage	Current Bill	July 1, 2012 Bill	July 1, 2013 Bill	Estuary Fund July 1, 2012	Estuary Fund July 1, 2013
4	\$34.27	\$28.31	\$29.44	\$0.58	\$1.22
6	\$34.27	\$33.65	\$34.98	\$0.69	\$1.46
8	\$34.27	\$38.98	\$40.53	\$0.80	\$1.69
10	\$42.24	\$44.31	\$46.08	\$0.90	\$1.92
12	\$50.00	\$49.65	\$51.62	\$1.01	\$2.15
14	\$57.76	\$54.98	\$57.16	\$1.12	\$2.38
16	\$65.51	\$60.31	\$62.71	\$1.23	\$2.61
20	\$73.27	\$70.98	\$73.80	\$1.45	\$3.07
25	\$73.27	\$84.31	\$87.65	\$1.72	\$3.65
30	\$73.27	\$97.65	\$101.52	\$1.99	\$4.22

SFR Impacts – Total WW Bill

With Integrated Estuary Protection Charge

Bi-Monthly Usage	Current Bill	July 1, 2012 Bill	July 1, 2013 Bill
4	\$34.27	\$28.88	\$30.62
6	\$34.27	\$34.32	\$36.38
8	\$34.27	\$39.76	\$42.15
10	\$42.24	\$45.20	\$47.92
12	\$50.00	\$50.64	\$53.68
14	\$57.76	\$56.08	\$59.45
16	\$65.51	\$61.52	\$65.22
20	\$73.27	\$72.40	\$76.75
25	\$73.27	\$86.00	\$91.16
30	\$73.27	\$99.60	\$105.58

MFR Impacts – Total WW Bill

With Separate Estuary Protection Charge

Bi-Monthly Usage	Current Bill	July 1, 2012 Bill	July 1, 2013 Bill	Estuary Fund July 1, 2012	Estuary Fund July 1, 2013
4	\$34.27	\$23.73	\$24.67	\$0.48	\$1.03
6	\$34.27	\$29.06	\$30.21	\$0.59	\$1.26
8	\$34.27	\$34.39	\$35.76	\$0.70	\$1.49
10	\$42.24	\$39.73	\$41.31	\$0.81	\$1.72
12	\$50.00	\$45.06	\$46.85	\$0.92	\$1.95
14	\$57.76	\$50.39	\$52.39	\$1.03	\$2.18
16	\$65.51	\$55.73	\$57.94	\$1.14	\$2.41
20	\$73.27	\$66.39	\$69.03	\$1.35	\$2.87
22	\$73.27	\$71.73	\$74.57	\$1.46	\$3.10
24	\$73.27	\$77.06	\$80.12	\$1.57	\$3.33

MFR Impacts – Total WW Bill

With Integrated Estuary Protection Charge

Bi-Monthly Usage	Current Bill	July 1, 2012 Bill	July 1, 2013 Bill
4	\$34.27	\$24.20	\$25.66
6	\$34.27	\$29.64	\$31.42
8	\$34.27	\$35.08	\$37.19
10	\$42.24	\$40.52	\$42.96
12	\$50.00	\$45.96	\$48.72
14	\$57.76	\$51.40	\$54.49
16	\$65.51	\$56.84	\$60.26
20	\$73.27	\$67.72	\$71.79
22	\$73.27	\$73.16	\$77.55
24	\$73.27	\$78.60	\$83.32

Commercial Impacts – Total WW Bill

With Separate Estuary Protection Charge

- Bill represents average usage by customer group

Customer Group	Bi-Monthly Usage	July 1, 2012 Bill	July 1, 2013 Bill	Estuary Fund July 1, 2012	Estuary Fund July 1, 2013
Group 1	70	\$236.57	\$245.94	\$4.83	\$10.23
Group 2	331	\$1,202.11	\$1,249.73	\$24.52	\$51.99
Group 3	923	\$4,270.69	\$4,439.88	\$87.12	\$184.70
Group 4	147	\$842.00	\$875.37	\$17.18	\$36.42
Group 5	122	\$642.00	\$667.44	\$13.10	\$27.77
Group 6	200	\$234.57	\$243.87	\$4.79	\$10.14

Commercial Impacts – Total WW Bill

With Integrated Estuary Protection Charge

- Bill represents average usage by customer group

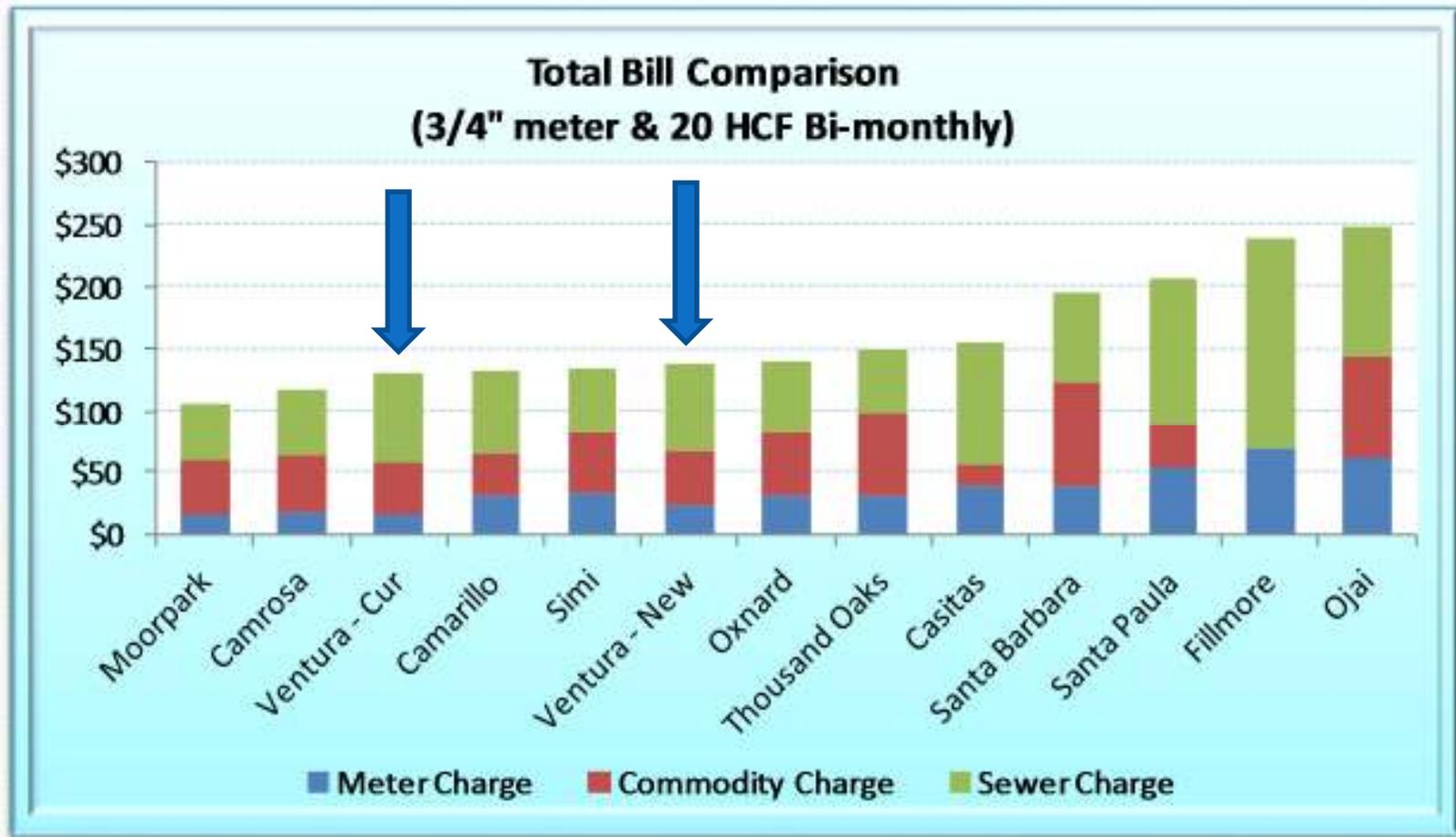
Customer Group	Bi-Monthly Usage	Current Bill	July 1, 2012 Bill	July 1, 2013 Bill
Group 1	70	\$179.13	\$241.30	\$255.78
Group 2	331	\$1,041.71	\$1,226.15	\$1,299.72
Group 3	923	\$4,968.23	\$4,356.10	\$4,617.47
Group 4	147	\$1,033.96	\$858.84	\$910.38
Group 5	122	\$796.72	\$654.84	\$694.14
Group 6	200	\$73.27	\$239.26	\$253.62

SFR Impacts – Combined Bill

SFR	Usage (hcf)	Winter	Current Total	July 1, 2012	July 1, 2013	Difference 1	Difference 2
Very Low	5	5	\$59.40	\$64.64	\$69.38	\$5.24	\$4.74
Low	12	10	\$73.54	\$92.10	\$98.87	\$18.56	\$6.77
Average	21	17	\$110.65	\$133.93	\$143.83	\$23.28	\$9.90
High	35	25	\$171.16	\$201.95	\$217.14	\$30.79	\$15.19
Very High	50	30	\$223.94	\$281.70	\$303.36	\$57.76	\$21.66

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

Rate Survey – Total Bi-monthly Bill



Recommendations

- Proposed water rate schedule
 - Institutional/Interruptible rate
 - Untreated water rate
 - Reclaimed water rate
 - Outside City surcharge
- Proposed wastewater rate schedule
 - SFR cap of 30 hcf and MFR cap of 24 hcf
 - Uniform schools rate
 - Churches and nurseries on fixed plus flow rate
 - Estuary protection fund charge

Next Steps/Schedule

- Draft report to staff
- Recommendation to Council
 - February 27th, 2012