



# ADMINISTRATIVE REPORT

Date: December 5, 2013

Agenda Item No: 2

Meeting Date: December 11, 2013

**To: VENTURA WATER RATE ADVISORY COMMITTEE**

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

**Subject: REVENUE REQUIREMENTS FOR FY 2015 THROUGH FY 2018**

## **RECOMMENDATIONS**

Staff recommends that the Ventura Water Rate Advisory Committee recommend to the City Council:

- Sufficient revenue increases for the operations and maintenance program with the presented assumptions for FY 2015 through 2018 be incorporated into the Cost of Service Study.
- Sufficient revenue increases for 75% of the proposed capital improvement program assuming 69% of the capital improvement program will be debt financed be incorporated into the Cost of Service Study.
- Appropriate adjustments be made to the outside City Customer charge and the reallocation of wastewater operation costs among the customer classes.

## **DISCUSSION**

At the November 25, 2013 meeting, Raftelis Financial Consultants, with the most up-to-date information available, presented the revenue requirements and the associated rate impacts. City staff is preparing the six-year Capital Improvement Program, while at the same time the Cost of Service Study is being prepared so there may be adjustments to align these two documents up until their final approval by City Council.

The presentation included three scenarios to request appropriate funding resources for the Water and Wastewater Enterprise Funds.

- Scenario A – Funds the Capital Improvement program at 100%.

- Scenario B – Funds the Capital Improvement program at 75%.
- Scenario C – Funds the Capital Improvement program at 75% and assumes Direct Potable Reuse in the future so only one Reverse Osmosis infrastructure is required and there is cost sharing between the two enterprise funds for the shared infrastructure.

Staff recommended Scenario B; therefore, the presentation illustrated the rate impacts with the assumptions of Scenario B. Staff foresees these assumptions will be representative of day-to-day operations and building or replacing infrastructure for the next four years.

Scenario A was not recommended as staff believes it would result in over funding the enterprise funds because our experience indicates that 100% of the capital improvement program is seldom completed as scheduled.

Scenario C was not recommended because Direct Potable Reuse regulations are still not completed by the State of California and staff cannot predict public acceptance until customers have been educated on this treatment process. The importance of illustrating Scenario C was to understand the fiscal impacts of efficiencies of an integrated water resource portfolio. The Reverse Osmosis facilities are not in the capital improvement program for the next four years. To fulfill the pricing objective of rate stability the rates would slowly increase to accommodate financing a large capital improvement such as building treatment facilities.

In addition, Raftelis Financial Consultants completed a preliminary Cost of Service Study to recalibrate the rates with the pricing objectives as prioritized in 2012. Two significant adjustments are being recommended:

1. Adjust the outside City Rate from \$0.76 to \$0.60 per hundred cubic feet of water used.
2. Adjust the wastewater usage charges to balance amongst the customer classes.

After reviewing the presentation on November 25, 2013, the Committee requested a variation of Scenario B. Therefore, Scenario B2 is funding 75% of the Capital Improvement Program and finances 50% of that same program instead of 69%. The attached presentation compares the revenue requirements of these two versions of Scenario B to address the Committee's interest in responsible fiscal commitments. In addition, also attached is a categorical summary of the Capital Improvement Program for Water and Wastewater for the ten-year planning horizon.

Upon acceptance of the assumptions and results presented during the November 25, 2013 and December 11, 2013 special meetings; the Committee will recommend the results to the City Council. Upon City Council's acceptance, staff will direct Raftelis Financial

Consultants to finalize the Cost of Service Study for Water and Wastewater Rates for FY 2015 through FY 2018.

#### ATTACHMENTS

- A Ventura Water, Water & Wastewater Rate Study  
Citizen Advisory Committee Meeting #4 PowerPoint Presentation
- B 10-Year Capital Improvement Plan Summary