



ADMINISTRATIVE REPORT

Date: December 5, 2013

Agenda Item No.: 3

Meeting Date: December 11, 2013

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

From: SHANA EPSTEIN, VENTURA WATER GENERAL MANAGER

Subject: PUBLIC RIGHT-OF-WAY FEES

RECOMMENDATION

Staff recommends that the Committee accept the following Cost of Service Study supporting and increasing the existing Public Right-of-Way fees that the Water and Wastewater Enterprise Funds contribute to the General Fund. For FY 14-15 the ROW fee will be a total of \$987,200 and it will be escalated in future years by changes in the Los Angeles Region Consumer Price Index.

SUMMARY

The current Water and Wastewater Ordinances identify the Public Right-of-Way (ROW) Fee as 1.5% of gross revenue of the respective enterprise funds. This fee was implemented to ensure that the Water and Wastewater Utilities were appropriately sharing in the costs of acquiring and maintaining the ROW and the streets under which the utilities have facilities. Staff was tasked with trying to reassess the true cost and utilized Raftelis Financial Consultants (RFC) who subcontracted with Lindsey Nielsen of Ventura Appraisal Consulting Corp. to appraise and evaluate the rental value of the City's ROW and Pavement Obligation. The Pavement Obligation represents the degradation street cuts put on the entire street. The analysis results in a fixed fee based upon the rental value of the easements and the pavement obligation.

DISCUSSION

The Committee has established two values that are important to them as the City discusses the Water and Wastewater Enterprise Funds obligations to the General Fund – transparency and defensibility. When staff first brought forward the concept of the public ROW fee and the Pavement Obligation fee forward to the Committee, the purpose was to

explain future cost impacts to the utilities that would have to be compensated in some manner because the decisions would not be made in advance of determining a revenue requirement for the utilities. Then as staff explored the two fees, it became more evident that a cost of service analysis could be completed within the Cost of Service Study time frame and that the two fees were not exclusive of one another but rather complementary; therefore, the analysis includes both these concepts in the calculation of the Public ROW fee.

The purpose of a public ROW fee is to collect revenue that appropriately represents the cost burden the Water and Wastewater Utilities place upon the General Fund. The two cost components that were identified as rental charges for the easements and pavement obligation. Currently, the ROW fee is calculated as a percentage of gross revenue. The Civil Engineering team calculated the value of utilities utilizing the streets and sidewalks, then that analysis (Attachment A) was reviewed by Lindsay Nielson, SCREA (Attachment B). Staff requested the outside review because the valuation of the land is not our expertise. After all the calculations were reviewed, the evaluation leads staff to recommend a fixed fee number that can be escalated according to Los Angeles Region Consumer Price Index in future years rather than a percentage of gross revenue, which may or may not correlate with the value of rent or burden of pavement damage attributable to the utilities.

The Committee requested additional information at the Special Meeting on November 25, 2013, in order to evaluate the Public ROW fee.

- Calculation behind the Nielson report (Attachment A)
- Annual payments from other utilities to the City (Attachment C)
- Comparable valuations of vacant land (Attachment D)

In addition, staff would like to point out that sewer laterals are not included in the calculations for public right of way and pavement obligation in Attachment A. Sewer laterals are privately owned by customers and their maintenance is the customers' responsibility. This elimination is reflected in Attachment A, but the Neilson report has not been revised. The change is so that the City remains consistent in how sewer laterals are addressed with property owners. The result is \$101,000 less on the sewer portion of the ROW fee and then the ROW fee is rounded to the nearest hundredth.

FISCAL IMPACT

As defined in Attachment A, the Water Enterprise's Public ROW fee is equal to \$550,300 and the Wastewater Enterprise's Public ROW fee is equal to \$436,900. In total, if this recommendation is accepted, the General Fund will receive \$987,200 as compensation for rental and pavement obligation in FY 2014-15. The previous report on revenue requirements does not include the revised ROW fee as calculated in this report, but rather the ROW fee that is \$101,000 greater. If this ROW fee is accepted then the revenue requirements will be recalculated with the lessor number and rate impacts will correlate

only for Scenario B and not B2. The ROW fees for the current year are \$399,366 for water and \$281,418 for wastewater for a total of \$680,784. The difference between the current ROW fee and the proposed ROW fee is \$306,416.

ALTERNATIVE

The ROW fee would remain 1.5% of gross revenue and the pavement obligation fee would be applied as a fee per pipeline project. The estimated annual payment to the City General Fund would be \$680,784 as estimated for current year ROW fee and an additional \$860,000 estimated for annual increases to the pipeline projects as explained in the September 11, 2013 Administrative Report on this subject. The total fees would be estimated at \$1,540,784, which is at a minimum \$553,584 more than the recommendation.

ATTACHMENTS

- A Civil Engineering and RFC Spreadsheet with summary of other cities' fees
- B Fair Use Value Report by Lindsay Nielson, SCREA
- C Pages from FY 13/14 Budget with line items for expected Franchise Fee Revenue
- D Comparable Valuations of Vacant Land