



ADMINISTRATIVE REPORT

Date: November 19, 2013

Agenda Item No.: 3

Meeting Date: November 25, 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 \$ 1,088,500 and it will be escalated in future years by changes in the 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 ROWs 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 ROWs and Pavement Obligation. 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 for 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 time and that the two fees were not exclusive of one another but rather complimentary; 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 what the value of utilities utilizing the streets and sidewalks then that analysis was reviewed by Lindsay Nielson, SCREA (Attachment A). 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 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.

FISCAL IMPACT

As defined in Attachment B the Water Enterprise's Public ROW Fee is equal to \$550,500 and the Wastewater Enterprise's Public ROW Fee is equal to \$538,000. In total, if this recommendation is accepted the General Fund will receive \$1,088,500 as compensation for rental and payment in FY 2014-15. These amounts are applied to the revenue requirement presentation that will follow this item. The ROW fees for the current year are \$399,366 for water and \$281,418 for wastewater for a total of \$680,714.

ATTACHMENT

A Fair Use Value Report by Lindsay Nielson, SCREA