



ADMINISTRATIVE REPORT

Date: November 20, 2013

Agenda Item No: 4

Meeting Date: November 25, 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

Attached is the presentation for November 25, 2013 meeting that was prepared by Raftelis Financial Consultants with the most up-to-date information available. 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.

This presentation includes 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 is recommending Scenario B; therefore, the presentation illustrates the rate impacts with the assumptions of Schedule 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 is not being recommended because 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 is not being 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 is to understand the fiscal impacts or efficiencies of an integrated water resource portfolio. Even though 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 of 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

Upon acceptance of the assumptions and results presented during the November 25, 2013 special meeting; the Committee will recommend those assumptions 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.

ATTACHMENT

- A Ventura Water, Water & Wastewater Rate Study
Citizen Advisory Committee Meeting #3 PowerPoint Presentation