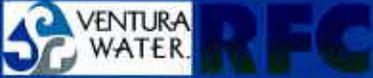


Ventura Water Cost of Service & Rate Design Study

Citizen Advisory Committee Meeting

November 16, 2011



Overview

- Pricing Objectives Results
 - Rate Structure Alternatives
- Financial Plan
 - Key Assumptions
 - Revenue Analysis
 - Expenses
 - Revenue Adjustments
 - Reserves
- Next Steps/Discussion/Q&A



Citizen Advisory Committee Presentation



Pricing Objectives Results

 VENTURA WATER, 11/16/2011 Citizen Advisory Committee Presentation  RFC
RAFFEL'S FINANCIAL CONSULTANTS, INC.

Pricing Objectives Results

Classification	Rank	Pricing Objectives	Total Score
Most Important	1	Cost of Service Based Allocations	11
	2	Rate Stability	18
Very Important	3	Revenue Stability	19
	4	Conservation	19
	5	Defensibility	19
Important	6	Minimization of Customer Impacts	21
	7	Simple to Understand and Update	22
	8	Equitable Contributions from New Customers	22
	9	Economic Development	25
Least Important	10	Ease of Implementation	26
	11	Affordability	26

Results do not include 3 ratings from the public

 VENTURA WATER, 11/16/2011 Citizen Advisory Committee Presentation  RFC
RAFFEL'S FINANCIAL CONSULTANTS, INC.

Pricing Objectives Results

Classification	Rank	Pricing Objectives	Total Score
Most Important	1	Cost of Service Based Allocations	15
	2	Rate Stability	23
Very Important	3	Revenue Stability	25
	4	Conservation	25
Important	5	Simple to Understand and Update	28
	6	Affordability	29
	7	Minimization of Customer Impacts	29
Least Important	8	Defensibility	30
	9	Economic Development	31
	10	Ease of Implementation	32
	11	Equitable Contributions from New Customers	33

Result includes 3 ratings from the public

Rate Structure Rating

- Weight
 - Most Important = 4
 - Very Important = 3
 - Important = 2
 - Least Important = 1

- Rating Rate Structures
 - A+ has 4.3 point value → C- has 1.7 point value

Water Rate Structures Ratings

Ranking	Classifications	Pricing Objectives	Current Rate Structure	Option 1: Revise Current Tiers	Option 2: Add New Tier	Option 3: Hybrid	Option 4: Water Budget Based
1	Most Important	Cost of Service Based Allocations	B-	A	A	A	A
2		Rate Stability	A	A	A	A	A
3	Very Important	Revenue Stability	B-	A-	A-	A-	A-
4		Conservation	B-	A	A+	A+	A
5		Defensibility	B-	A	A	A	A
6	Important	Minimization of Customer Impacts	A	A-	B+	B	C+
7		Simple to Understand and Update	A+	A	A-	A-	C
8		Equitable Contributions from New Customers	B+	B+	B+	B+	B+
9	Least Important	Economic Development	B	B	B	B	B
10		Ease of Implementation	A+	A	A	A	C
11		Affordability	B	B+	A-	A	B+
Overall Scores			80.6	95.4	95.3	95.0	86.0

Water Rate Structures Ratings

Ranking	Classifications	Pricing Objectives	Current Rate Structure	Option 1: Revise Current Tiers	Option 2: Add New Tier	Option 3: Hybrid	Option 4: Water Budget Based
1	Most Important	Reward Efficient Water Users	B-	B+	B+	B+	A+
2		Surcharge Nonessential and Non-efficient Usage	B	B+	B+	B+	A+
3	Very Important	Communicate Conservation Consciousness	C+	B+	A-	A-	A
4		Reduce Total Consumption	B	B+	A-	A	B+
5	Important	Reduce Peak Consumption	B+	A-	A	A+	B
6	Least Important	Reduce Seasonal Consumption	B+	A-	A	A+	B
Overall Scores			49.8	57.3	60.6	63.3	68.3

WW Rate Structures Ratings

Ranking	Classifications	Pricing Objectives	Current Rate Structure	Option 1: Fixed Charge Only	Option 2: Flow Based Only	Option 3: Fixed + Flow Based
1	Most Important	Cost of Service Based Allocations	B-	B	A	A
2		Rate Stability	A	A	A	A
3	Very Important	Revenue Stability	B+	A+	C+	A-
4		Conservation	B+	C	A+	A-
5		Defensibility	A	A	A	A
6	Important	Minimization of Customer Impacts	A	A-	A-	A
7		Simple to Understand and Update	A+	A+	B+	A
8		Equitable Contributions from New Customers	B+	B+	B+	B+
9	Least Important	Economic Development	B	B	B	B
10		Ease of Implementation	A+	A	B+	A
11		Affordability	B-	C+	A-	B
Overall Scores			87.8	86.8	90.4	95.1

Financial Plan

Key Assumptions

- Growth rates
 - SFR – no growth in FY 2012 and 0.5% per year thereafter
 - MFR – no growth in FY 2012 and 0.5% per year thereafter
 - Commercial/Industrial – no growth in FY 2012 and 0.5% per year thereafter
 - Other – no growth
 - Outside City customers – no growth

SFR – single family residential, MFR – multi-family residential

Key Assumptions

- Inflation assumptions
 - General – 3% per year
 - Salaries – no change through FY 15, and 0.5% per year thereafter
 - Benefits – approximately 0.3% per year
 - Utilities – 7.5% in FY 2013 and 5% per year thereafter
 - Chemicals – 5% per year
 - Capital – 3.5% per year

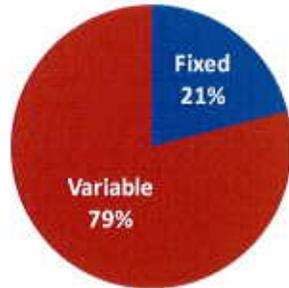
Key Assumptions

- Reserves targets
 - Operating reserves – 3 months (or 25%) of operating expenses
 - Capital reserves – 50% of average replacement CIP, increasing to 100% in FY 2017
- Interest rates
 - Reserves – Earn 1% in FY 12 and 13, increasing at 0.5% per year until 2.5% in FY 16
 - New debt issue – 5.5%, 30-year term

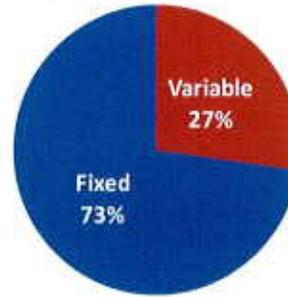
WATER ENTERPRISE 5-YEAR FINANCIAL PLAN

Financial Analysis – FY 2011

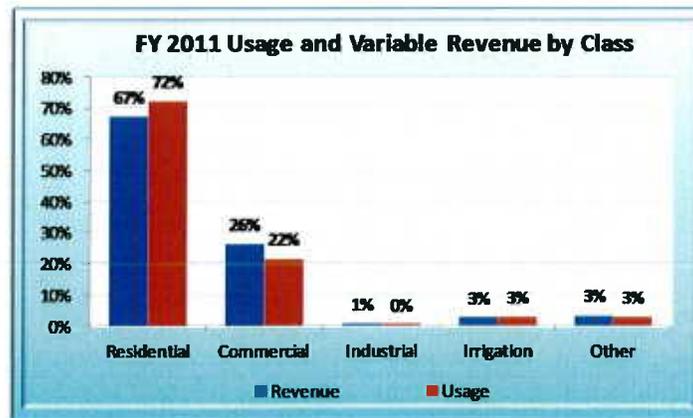
FY 2011 Revenue Structure



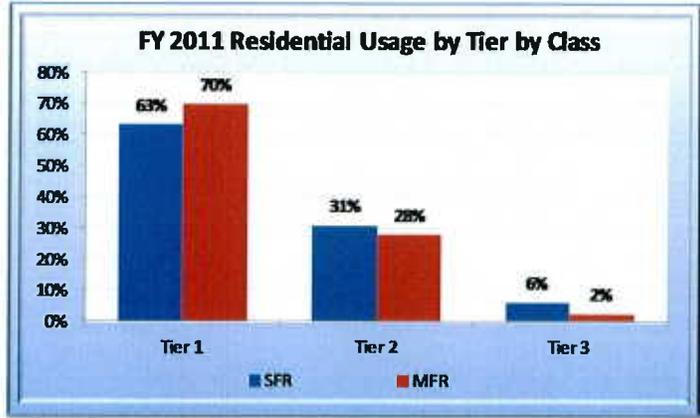
FY 2011 Expenses Structure



Water Usage Analysis – FY 2011



Residential Usage Analysis



O&M Expenses - Water



Water CIP



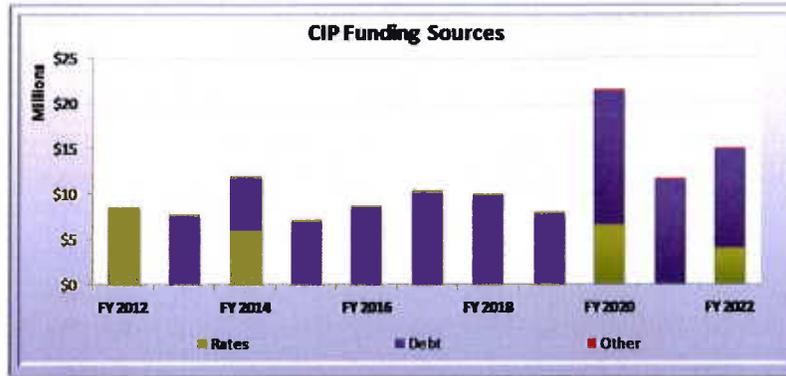
CIP shown at 75% of budget

CIP Overview – Inflated

- Well Projects – \$25.7 million total
- Pipeline Projects – \$42.1 million total
- Tank Projects – \$7.2 million total
- Pump Station Projects – \$3.4 million total
- Facility Projects – \$7.9 million total
- Treatment Projects – \$34.1 million total

TOTAL CIP – \$120.5 million

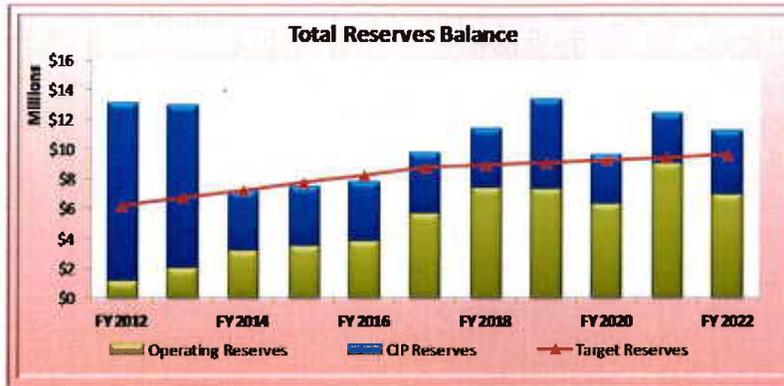
Water CIP Financing Plan



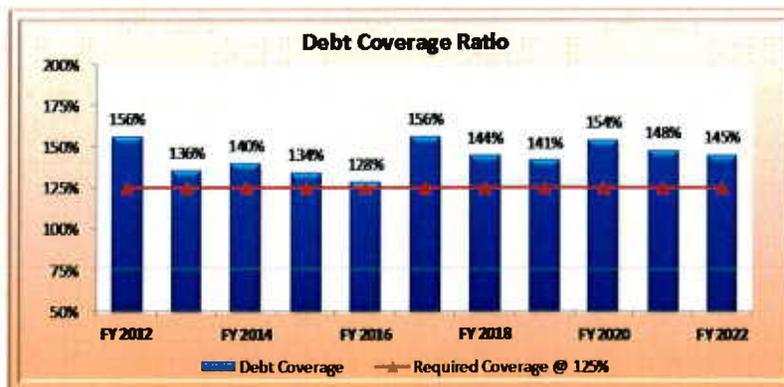
Additional Revenue Needs - Water



Reserves Balance



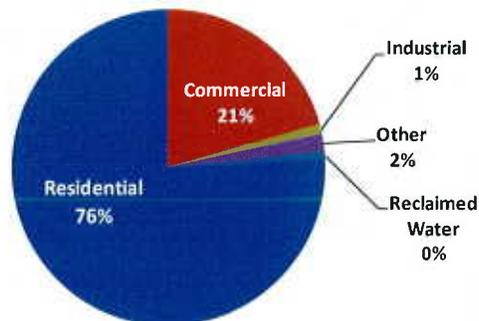
Debt Coverage Ratio



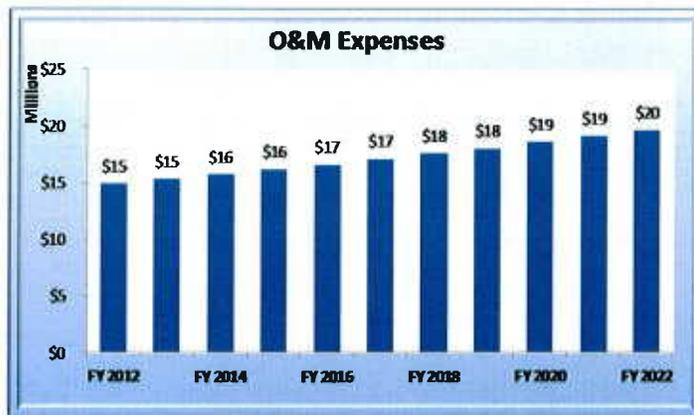
WASTEWATER ENTERPRISE 5-YEAR FINANCIAL PLAN

Revenue Analysis – FY 2011

FY 2011 Revenue Analysis



O&M Expenses - Wastewater



Wastewater CIP



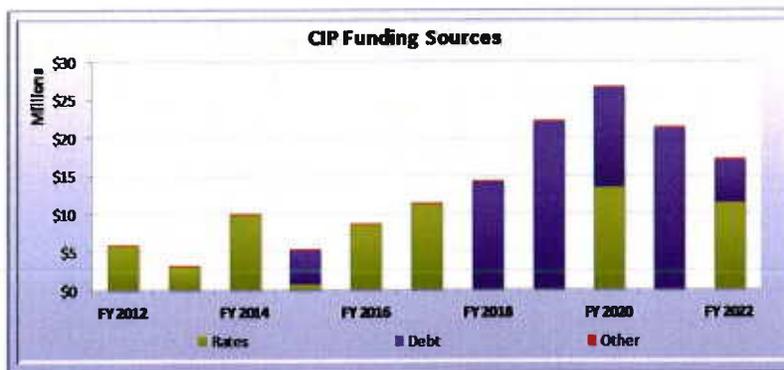
CIP shown at 75% of budget

CIP Overview – Inflated

- Pipeline Projects – \$29.6 million total
- Lift Station Projects – \$6.6 million total
- Treatment Projects – \$35.8 million total
- Facility Projects – \$6.1 million total
- Estuary Protection Projects – \$67 million total

TOTAL CIP – \$147 million

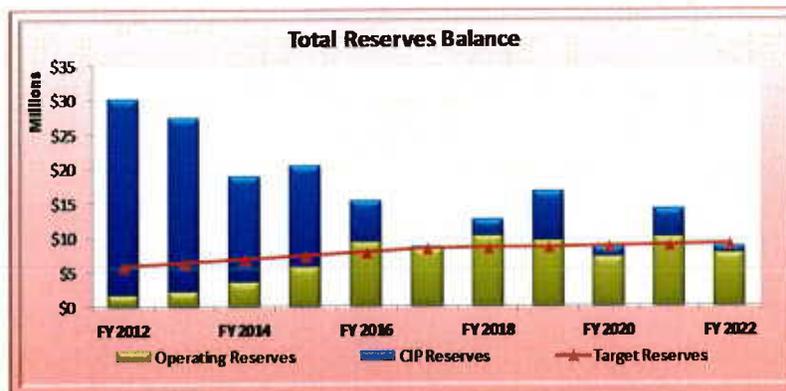
Wastewater CIP Financing Plan



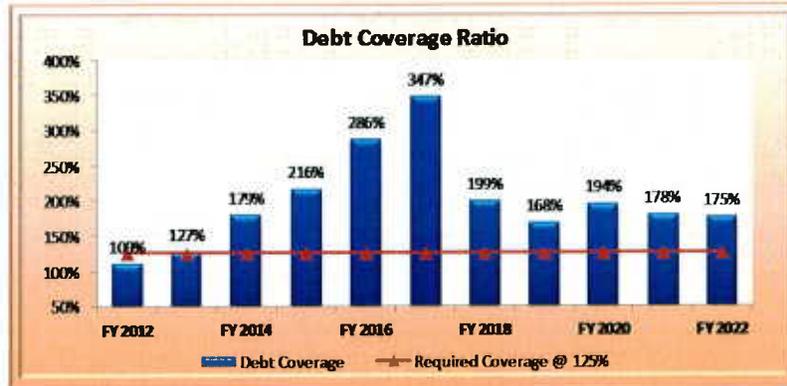
Additional Revenue Needs – WW



Reserves Balance



Debt Coverage Ratio



Discussion

- Reserves policy
- Capital program
- Rate structure alternatives
- Debt issuance

Next Steps

- Agenda for Next Meeting
 - Finalize Financial Plans
 - COS Analysis
 - Rate Alternatives