



Utilities Task Force Regular Meeting

City of Oxnard Civic Center City Council Chambers

305 West Third Street, Oxnard, CA 93030

Thursday, March 2, 2017

4:00 P.M.

A. WELCOME

B. ROLL CALL/POSTING OF AGENDA

C. OPENING CEREMONIES

D. PUBLIC COMMENTS

A person may address the Utilities Task Force (UTF) only on matters within the subject matter jurisdiction of the UTF. The presiding officer may limit public comments to three minutes. The UTF cannot enter into detailed discussion or take action on any item presented during public comments that is not on the agenda. Such item may only be referred to the UTF's Secretary for administrative action or scheduled on a subsequent agenda for discussion. Unless otherwise approved by the UTF, persons wishing to speak on items on this agenda should do so during public comments.

E. REVIEW AND APPROVAL OF MINUTES

1. SUBJECT: Minutes from January 17, 2017, Special Meeting
RECOMMENDATION: That the UTF approve the minutes from the January 17, 2017, Special Meeting
2. SUBJECT: Minutes from February 6, 2017, Special Meeting
RECOMMENDATION: That the UTF approve the minutes from the February 6, 2017, Special Meeting

D. NEW BUSINESS

1. SUBJECT: Wastewater Rate Recommendations
RECOMMENDATION: That the UTF a) receive the URAP's recommendation to raise wastewater rates by 5.25% annually for the next 5 years and b) receive information related to the wastewater rate recommendation and c) approve and/or modify a recommendation on the wastewater rate increases to forward to the full City Council.
2. SUBJECT: Information regarding the water meter issues.
RECOMMENDATION: That the UTF receive a report on water meter issues. This report is for information only.
3. SUBJECT: Status Update on Water Financial Positions and Proposition 218 Schedule
RECOMMENDATION: That the UTF receive a status update on the water fund's financial position and recommend that staff proceed with establishing a proposed Proposition 218 schedule and procedures.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a meeting, you should contact Janis Synnes at 805-385-7880. Notification at least 72 hours prior to the meeting will enable the City to make reasonable accommodations to assure accessibility to the meeting.

Written materials that are distributed to the UTF after the agenda is posted but before the item is to be considered at this meeting will be made available for public inspection at the City Clerk's Office located at 300 West Third Street, Fourth Floor, Oxnard, CA 93030 during the City's normal business hours.

E. STAFF UPDATES

The Public Works Director and Division Managers may report on items of interest to the UTF. The UTF cannot enter into detailed discussion or take action on any item presented during these reports. Such items may only be referred to the Assistant City Manager or Public Works Director for administrative action or scheduled on a subsequent agenda for discussion.

1. Environmental Resources Operations – Todd Housley, ER Division Manager
2. Wastewater Operations – Thien Ng, P.E., Wastewater Division Manager
3. Water Operations – Omar Castro, Water Division Manager

F. ADJOURNMENT

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**UTILITIES TASK FORCE
SPECIAL MEETING MINUTES
Thursday, January 17, 2017**

A. ROLL CALL Chair Flynn called the meeting to order at approximately 4:10 p.m.

Task Force Members Present

Tim Flynn, Task Force Chair
Bryan MacDonald, Task Force Member

Task Force Members Absent

None

Staff Present

Ruth Osuna, Assistant City Manager
Jesus Nava, Assistant City Manager
Stephen Fischer, City Attorney
Shiri Klima, Assistant City Attorney
Jim Throop, Chief Financial Officer
William Jefferson, Assistant Chief Financial Officer
Phillip Molina, City Treasurer
Daniel Rydberg, P.E., Public Works Director
Thien Ng, P.E., Wastewater Division Manager
Omar Castro, Water Division Manager
Todd Vasquez-Housley, Environmental Resources Manager
Badaoui Mouderrres, P.E., Technical Services/Water Quality Manager
Licette Maldonado, Utilities Financial Officer
Robert Hearne, Senior Civil Engineer
Terry Kirsch, Public Works Construction Project Manager
Barbara Wulf, Recycling Specialist
Kyron Johnson, Management Analyst III
Rosa Solis, Administrative Legal Assistant
Janis Synnes, Administrative Technician

B. PUBLIC COMMENTS

Public comments were received from Larry Stein and Robert Bronson.

C. APPROVAL OF MINUTES The Utilities Task Force (UTF) approved the minutes from the December 1, 2016, Regular Meeting.

D. NEW BUSINESS

1. SUBJECT: Status update on wastewater financial position and Proposition 218 schedule

RECOMMENDATION: That the UTF Approve the Wastewater Proposition 218 Schedule

Ms. Maldonado gave a presentation on the status of the wastewater revenue and expenditures as of November 2016.

Mr. Johnson explained the Proposition 218 schedule, requirements and public input.

Mr. Alex Bugbee of Carollo Engineers, Inc. discussed the wastewater cost of service update and key assumptions

Mr. Daniel Chavez had questions regarding the overall cost of service, debt assumptions and financial status of the wastewater utilities and the FEMA maps.

The UTF voted to approve the wastewater Proposition 218 schedule and bringing this item to Council.

2. **SUBJECT:** Selection of Utility Ratepayers Advisory Panel (URAP) members

RECOMMENDATION: That the UTF discuss and select URAP members

Mr. Johnson explained the selection of the Utility Ratepayers Advisory Panel (URAP) members, meeting format and schedule.

The UTF picked seven people to be on the URAP:

PANEL MEMBERS		
Single Family Residential	Multi-Family/Multi-Unit Residential	Business/Industrial
Manuel Herrera	Elva Marie Lindsey	Nancy Lindholm
Richard Elzinga		Aaron Starr
David Littell		Rudy Rehbein
ALTERNATE PANEL MEMBERS		
Single Family Residential	Multi-Family/Multi Unit Residential	Business/Industrial
Stephen Nash	Brent Reischer	Frank Brommenschenkel
		Barbara Macri-Ortiz

Ms. Alicia Percell had questions on the role of the URAP alternates. The UTF agreed that the URAP alternates would be present for all URAP meetings and be ready to act if necessary.

3. **SUBJECT:** Status update on water financial position and Proposition 218 schedule

RECOMMENDATION: That the UTF approve the water Proposition 218 schedule

Ms. Maldonado discussed the water revenue and expenditures as of November 2016.

Mr. Johnson explained the Proposition 218 schedule, requirements and public input.

The UTF voted to approve the water Proposition 218 schedule and authorized bringing this item to Council.

E. STAFF UPDATES

1. Director’s Report – Daniel Rydberg, P.E., Public Works Director

Mr. Rydberg explained the new format for the utilities reports and informed everyone that the UTF meetings will be held in the City Council Chambers.

2. Environmental Resources Division Report – Todd Housley, ER Division Manager

Mr. Housley provided an update on recent recruitments and 311 statistics for the Environmental Resources Division. He stated that newly-elected City Treasurer Phil Molina and Council Member Oscar Madrigal visited the Del Norte facility on separate occasions and that the facility received 24 visitors since the last UTF meeting. Conversations have started with the Treasurer's and Finance Departments to discuss the transition of credit customer billing to the Treasurer's Department. Also, the Finance and Treasurers Departments will be more involved in supervising and monitoring Environmental Resources cash handling and financial transactions.

3. Wastewater Division Report – Thien Ng, Wastewater Division Manager

Mr. Ng provided an update on the wastewater treatment plant electrical issues on the digester heating system.

4. Water Division Report – Omar Castro, Water Division Manager

Mr. Castro reported on water operations, updating the UTF on the continued decrease in water sales influenced by continued conservation efforts from the community and compounded by the recent precipitation. Mr. Castro also informed the UTF about the recent increase in cast iron water main breaks caused by the seasonal changes in temperature.

F. OLD BUSINESS

1. None

G. ADJOURNMENT Chair Flynn adjourned the meeting at approximately 5:25 p.m.



**UTILITIES TASK FORCE
SPECIAL MEETING MINUTES
Monday, February 6, 2017**

A. WELCOME

B. ROLL CALL/POSTING OF AGENDA Chair Flynn called the meeting to order at approximately 5:05 p.m.

Task Force Members Present

Tim Flynn, Task Force Chair
Bryan MacDonald, Task Force Member

Task Force Members Absent

None

Staff Present

Ruth Osuna, Assistant City Manager
Jesus Nava, Assistant City Manager
Stephen Fischer, City Attorney
Shiri Klima, Assistant City Attorney
Jim Throop, Chief Financial Officer
Will Jefferson, Assistant Chief Financial Officer
Phillip Molina, City Treasurer
Daniel Rydberg, P.E., Public Works Director
Thien Ng, P.E., Wastewater Division Manager
Kyron Johnson, Management Analyst III
Janis Synnes, Administrative Technician

C. OPENING CEREMONIES

D. PUBLIC COMMENTS

Public comments were received from Larry Stein, Steve Nash, Elva Lindsey, Shirley Godwin, Larry Godwin, George Miller, Barbara Macri-Ortiz, Alicia Purcell, Dan Pinedo, and David Littell.

E. NEW BUSINESS

1. **SUBJECT:** Discussion regarding use of a facilitator at URAP meetings
RECOMMENDATION: That the UTF 1) decide on whether to use a facilitator or a Chair for the URAP meetings; 2) if a chair should be selected, determine the role of the Chair; 3) and if a chair should be selected, determine the process to select the Chair; and 4) if a chair should be selected by UTF appointment, appoint that chair.

After discussion, the UTF decided unanimously that the URAP could decide for itself if it wants a Chairperson or not, and that the URAP should take only 10 minutes to decide on whether to have a Chair, and if so, to select one. Alternates may sit in on the process. Ms Osuna shall remain as the facilitator.

2. SUBJECT: Discussion of the procedure of the URAP Meetings
RECOMMENDATION: That the UTF determine the procedure to be used at the remaining URAP meetings.
URAP may decide whether it wants to utilize Roberts Rules, or Rosenberg Rules, or some other procedure to run its meetings.

F. ADJOURNMENT

Chair Flynn adjourned the meeting at approximately 6:30 p.m.



Ruth Osuna
Assistant City Manager

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MEMORANDUM

February 27, 2017

TO: Utilities Task Force Members

FROM: Ruth Osuna
Assistant City Manager

SUBJECT: Wastewater Rate Scenarios

On Tuesday, January 17, 2017, the Utilities Task Force (UTF) held a special meeting to begin the process of setting new wastewater rates. As part of this process, the UTF established a Utility Ratepayers Advisory Panel (URAP) to review the financial needs of the wastewater utility, consider options, and provide a recommendation to the Utilities Task Force regarding the establishment of new rates. The URAP members were Manuel Herrera, Richard Elzinga, David Littell, Elva Marie Lindsey, Nancy Lindholm, Aaron Starr and Rudy Rehbein. The alternates were Steve Nash, Barbara Macri-Ortiz, Brent Reisender and Frank Brommenschenkel. Although the URAP was originally scheduled to hold three or four meetings, one additional meeting was added to ensure that the panel was able to consider as much information as possible. Thus, the URAP held five meetings and most members also participated in a wastewater facility tour. The panel met weekly, beginning on January 25, and ending on

February 22, to receive information and consider various rate scenarios. The URAP voted on February 22 to recommend a rate option to the City Council. This memo includes all of the scenarios that were presented to the URAP, including the URAP's recommended option, Scenario 2.2B.

URAP'S RECOMMENDATION:

The URAP agreed by a four to two vote, with one abstention, to recommend Scenario 2.2B. This scenario has a steady annual wastewater rate increase of 5.25% which would raise the typical single family customer's monthly wastewater bill by an average of \$2.48 in each of the next five fiscal years. After considering several scenarios which were presented by City staff, the URAP panel requested modifying the original 2.B scenario by suspending the Infrastructure Use Fee (IUF) for the first 2 years, reducing the five-year capital improvement program by \$5 million in design costs. With this scenario, the City would begin to meet debt coverage in year one. The capital improvement program (CIP) in this scenarios allows for the City to take care of urgent capital improvements at a cost of \$78,890,000. This option would require the City to borrow more than Scenario 2A and 2.2A (\$55.840 million), which have higher front-end rate increases. This scenario would allow the wastewater utility fund to improve its credit rating over time, while ensuring the debt coverage policy is met in the first year of adoption. This scenario would also allow for the City Council's adopted financial policies for reserves to be met in four years. A full illustration of this scenario, and the other scenarios presented to the URAP, are available at the end of this memorandum.

In addition to the above rate recommendation, the members of the URAP considered six motions, two of which received support from the URAP, that were presented by a URAP member to forward to the City Council. These motions include:

- A motion to recommend that the City Council require that the Cost of Service Study list the planned ~~emergency~~ repairs and capital improvement projects, along with their expected costs and completion dates, and that the City Council establish a policy that each utility shall make an annual report to the Council regarding all such ~~emergency~~ repair capital improvement projects included in the most recent Cost of Service Study. The report shall itemize for each project the following:
 - Construction status
 - Original projected date of completion from the Cost of Service Study
 - Revised projected date of completion
 - Original projected costs from the Cost of Service Study
 - Costs incurred to date
 - Revised projected costs to completion

This motion was amended by the URAP to strike the word "emergency," and was carried by a vote of 6 in favor, 0 opposed, and 1 abstention.
- A motion to recommend that the City Council establish a policy requiring council approval of a business plan (including ROI and payback period calculations) prior to incurring costs for a new or revised project whose purpose includes generating new or increased revenue

streams or reducing future expense.

This motion did not carry, with 3 votes in favor, and 4 opposed.

- A motion to recommend that the City Council eliminate its 1.25 debt coverage policy for utilities, once the reserves reach 50% of annual debt service costs and revert to those debt coverage requirements specified in the bond instruments.
This motion did not carry, with 1 vote in favor, and 6 opposed.
- A motion to recommend that the City of Oxnard no longer charge an Infrastructure Use Fee.
This motion carried, with 4 votes in favor and 3 opposed.
- A motion to recommend that the Council ordinance establish a fixed set of wastewater rates with no CPI adjustments for operations and maintenance, except that rates may be increased or decreased based on changes to the cost of pass-throughs, which include only non-discretionary inputs not under the control or influence of the City, such as electricity, chemicals and landfill tipping fees, as opposed to labor and outside contractors.
This motion failed due to a lack of a second.
- A motion to state that “it is the sense of the Oxnard Utility Ratepayers Advisory Panel that the timeframe given for making recommendations was unrealistically short and that better analysis could have been performed by the panel if needed information, even only if in draft form, was available to the panel at an earlier date.”
This motion did not carry, with 3 votes in favor, and 4 against.

TEN SCENARIO OPTIONS:

The first six scenarios (1, 2A, 2B, 3, 4, and 5) reflect the preliminary analysis of the cost of service which includes five primary variables that the URAP discussed: operations and maintenance (O&M), debt, reserves, the capital improvement program (CIP) and the Infrastructure Use Fee. The six scenarios also include the five-year revenue requirements to efficiently and effectively operate the wastewater utility for the City of Oxnard from FY 2017-18 through FY 2021-22. Three additional scenarios (2.2A, 2.2B and 2.3) were requested by the URAP as alternative options. One additional scenario (Scenario 6) was presented to the URAP at the February 22 meeting, which was not considered in discussing the final recommendations due to a lack of support for a very small CIP program, no IUF, and not meeting the City’s financial policies.

CURRENT FINANCIAL OUTLOOK FOR THE CITY’S WASTEWATER UTILITY:

As was reported to the URAP at its February 8th meeting, Standard and Poor's (S&P) Global Ratings issued a new report affirming the "BBB" long-term rating on the City of Oxnard's Financing Authority's fixed-rate wastewater revenue bonds. S&P also removed the ratings from CreditWatch with negative implications. However, the outlook is still listed as "negative."

As reported by Mr. Nava, Assistant City Manager, this outlook means that instead of an imminent rating decrease in the short-term, which usually occurs within 90 days, the following actions have improved the City's short term outlook. Those actions include:

- The City's decision to pursue litigation challenging the legality of Measure M.
- The court's issuance of a permanent restraining order that prevents the implementation of Measure M for the duration of the litigation.
- Union Bank's extension of the letter of credit supporting the City's variable-rate wastewater revenue bonds to August 28, 2017.

While these City actions have stabilized the rating on the wastewater fixed-rate bonds, S&P still continues to view the wastewater system's credit quality as "weak."

With the above in mind, the City of Oxnard's following financial goals must be met to strengthen the wastewater system's credit rating. Those financial goals include:

- Maintain sufficient cash flows to meet current and projected increases in utility operations and maintenance.
- Finance long-term capital improvements to increase operating efficiency, meet regulatory requirements, and expand system capacity to serve new development.
- Increase fund balances to target levels of the City Council adopted reserve policy (January 2016).
- Meet or exceed the bond coverage target of the City Council adopted coverage policy (January 2016).
- Increase the resilience of utility finances to address unexpected demands on utility operations and facilities.
- Continue to adopt utility rate schedules and financial policies to ensure the equitable allocation of utility requirements to the City's ratepayers in keeping with the requirements of California law.

BACKGROUND

The City of Oxnard operates a wastewater utility to collect, treat, recycle, and safely discharge nearly 19 million gallons (mg) of sewage per day from nearly 40,000 accounts. The utility's service area includes the City's residents and businesses, the City residents and businesses of Port Hueneme, the Channel Island Beach Community Services District, the Naval Base in Ventura County, and other smaller unincorporated areas of Ventura County. The total service population exceeds 230,000.

Customers are served by the City's regional treatment plant, an ocean outfall, and a collection system consisting of 430 miles of sewer pipes and 15 pump stations. The treatment plant has a permitted design capacity of 31.7 million gallons per day (mgd).

The City's Planning Division of its Development Services Department completed a comprehensive analysis of population growth in 2014 as a part of its work on the Integrated Public Works Master Plan. The projections were based on 2010 Census data, a housing count from developments constructed between 2010 and 2014, and projected housing projects and planned developments in the City. The City assumed a vacancy rate of five percent of dwelling units and an average household size of four persons per occupied unit. These population projects served as the basis for estimating future demand for wastewater services.

In 2014, the City engaged Carollo Engineers to conduct a comprehensive assessment of the wastewater system's assets and processes for the development of the Public Works Integrated Master Plan. The assessment revealed significant risks of system failure due to aging utility infrastructure. The assessment of the wastewater system determined that nearly 30 percent of the system's assets are in poor or very poor condition. The Master Plan included an extensive CIP to address the rehabilitation and replacement needs of the wastewater system, to enhance the operations performance of the plant, and to plan for future flow and load conditions. The Master Plan included nearly \$560,000,000 (2015 dollars) in wastewater projects to be implemented over a 25-year planning horizon, with the majority of costs in the first ten years due to urgency.

More recently, the City contracted with AECOM to build on the findings of the Master Plan and create a refined CIP for the wastewater system. The refined CIP is focused on the system's needs over the next ten years from FY 2017-18 through FY 2026-27.

In September 2015, the City completed a cost of service study for its Water, Wastewater, and Environmental Resources (solid waste) utilities. In January 2016, the City Council adopted the proposed wastewater rate increases, with the first rate increase of 35 percent going into effect March 1, 2016, and included a ten percent increase on January 1, 2017, which was not implemented. An eight percent increase was also proposed to follow on January 1 of each year beginning in 2018 through 2020. The proposed Water and Environmental Resources rates were not adopted at that time.

The City Council held a public hearing to receive residents' feedback and subsequently adopted the wastewater rate increases in January 2016. In November 2016, the passage of a ballot initiative, titled Measure M, halted the full implementation of the City's legally adopted new fees for

its wastewater utility. This had a severe financial consequence on not only the wastewater system, but also on the entire City's financial position. The City had no choice but to pursue litigation challenging the legality of Measure M, which has likewise been costly. The continued effect of Measure M has placed the City's wastewater system's credit quality in a very weak and vulnerable position.

The City also has re-evaluated the wastewater CIP and other costs and financial goals. The City has had to pay for an entirely new rate setting process, which has cost hundreds of thousands dollars in staff and consultant's time, all at the ratepayers' expense.

RATE SETTING PROCESS

It is a standard business practice for cities to perform periodic reviews of their utility finances and rates in order to ensure that adequate resources are available to sufficiently and equitably fund utility operations, maintenance and capital investments. In California, wastewater rates must conform to cost of service requirements imposed by Proposition 218 and the State Constitution. That Proposition requires that wastewater rates and other property-related fees and charges do not exceed the reasonable and proportional cost of providing the services.

The rate setting process typically consists of the following three major elements: 1) revenue requirements, 2) a cost of service analysis, and 3) rate design. The following is a general description of the three elements.

- 1) Revenue Requirements. The revenue requirements component compares the revenues received for providing the services to the operating and capital costs associated with providing the services to determine the adequacy of the existing rates to recover the full costs.
- 2) Cost of Service Analysis. The cost of service analyses is the fundamental element in making sure that each customer receives his, her, or its proportional cost. The operating and capital costs are allocated to functional cost centers and then reallocated to customer costs. Unit rates are derived for the system as a whole, at which point costs are allocated to specific customer classes based on the burden they place on the system.
- 3) Rate Design. The rate design element is the development of rates structures that allow for recovery of total costs while incorporating the results of the cost of service analyses. The rate structures have a multitude of guidelines that can be incorporated, but rely on the fundamental fact that the rates will not exceed the costs of providing the services.

Within these broad legal requirements, utilities have some degree of latitude in applying cost-of-service principles to develop rates that appropriately and adequately reflect their distinct and unique characteristics, and the values of the communities they serve.

GENERAL ASSUMPTIONS

The City's primary objectives in setting wastewater rates include:

- Adopt utility rates and charges to provide sufficient, predictable, and reliable revenues to deliver utility services in response to customer demand.
- Strengthen the financial reserves in order to finance critical capital investments at the lowest possible borrowing costs.
- Increase reserves, to a level consistent with the Council adopted policy, to provide sufficient future resources to address backlogs in equipment replacement, and to be able to respond to unforeseen and unexpected operational or financial risks.
- Design rates, consistent with Proposition 218 that effectively distribute the cost of wastewater based on each customer's usage pattern.

With these objectives in mind, several rate scenarios are being explored that follow the general assumptions listed below for the period from FY 2015-16 through FY 2024-25:

- The City's service population will grow at nearly 1.25 percent per year.
- The statewide water supply crisis will have a measureable impact on the growth in demand for water and wastewater services. Average annual growth in water demand will increase by 0.35 percent per year between FY 2015-16 and FY 20124-25, while wastewater flows will grow by 0.9 percent per year during the same period. Pollutant loadings of biochemical oxygen demand (BOD) and total suspended solids (TSS) will increase by an average of 1.6 percent and 0.7 percent per year, respectively, through FY 2024-25. An equivalent dwelling unit (EDU) on wastewater demand will increase by 1.1 percent on an annual average basis.
- Inflation rates of 2.5 to 3.0 percent will escalate line item operating expenditures. Capital project costs will inflate at an average 3.2 percent per year.
- Capital improvement projects will be financed primarily through the sale of revenue bonds, necessitating the build-up of cash reserves to provide bond coverage ratios in excess of 1.25X.
- In addition to an increase in bond coverage reserves, the water and wastewater utilities will increase operating reserves to finance planned equipment replacement.

The projections of this analysis are based on reasonable expectations of future events commonly used in the industry. Should the proposed revenue increases be delayed or postponed, or should cost escalation, operating expenditures, or capital needs exceed forecasted levels prior to FY 2021-22, the City might be required to begin a new rate setting process to increase rates above current projected levels. The City might similarly be required to begin a new rate setting process if revenues do not materialize as projected.

GROWTH AND REVENUES

Due to the City's wastewater rate structure, and the nature of the City's customer base, wastewater revenues do not increase and decrease in direct proportion to flows at the Oxnard Wastewater Treatment Plant. The growth factors that most influence wastewater revenues are the expected growth in the number of accounts, and the expected change in water consumption for the City's residential and commercial customers.

Because a portion of the charges assessed to the City's non-formula users (residential, commercial, and governmental accounts) is based on water usage, projected water sales influence the expected wastewater revenues from non-formula users. Residential and commercial water usage is expected to rebound above current levels by five percent in FY 2018-19 and an additional five percent in FY 2019-20. It is not expected that industrial users (formula users) will have significant increases in water use or wastewater discharges as water usage is process related and is less discretionary than that of residential and commercial customers.

Because the wastewater rates include a fixed component for residential users and a minimum charge for non-residential users, and because wastewater discharges from industrial users are not expected to increase due to the water usage rebound, the impact of the water usage on wastewater revenues is decreased. An analysis of billing records and reported revenues found that approximately 35 percent of wastewater rate revenues are driven by water demands. Thus, the expected five percent increase in residential and commercial water usage in FY 2018-19 and FY 2020-21 will result in revenue growth of 1.75 percent in each of those years (*5% water usage increase X 35% of revenues tied to water usage = 1.75% revenue growth*).

Growth in the number of wastewater accounts has lagged behind the City's General Plan predicted population growth by about 0.8 percent per year over the short term. As indicated by billing records, actual growth in the number of non-formula customers has averaged just 0.4 percent per year for FY 2013-14 through 2015-16. Increased conservation efforts and the use of more water efficient systems in new development have further minimized the impact of customer growth and wastewater revenues.

Therefore, the annual rate revenue growth assumed in the revenue requirement analysis is based on the impact of water sales growth for FY 2018-19 and FY 2019-20 and on the longer term Oxnard Wastewater Treatment Plant flow growth factors for FY 2020-21 and FY 2021-22. No growth related increase is expected in FY 2017-18. The Oxnard Wastewater Treatment Plant flow growth factors are expected to approximate the combined revenue growth from ongoing water usage and account growth in FY 2020-21 and FY 2021-22.

If the City realizes growth higher than that assumed for this analysis, the City could revisit the analysis and adopt rates lower than those proposed, assuming doing so will not have an adverse effect on the wastewater utility's financial situation. Alternatively, stagnant growth or further conservation could lead to decreased revenues. If this occurs, the City may need to reevaluate rate increases, or pursue other short-term cost cutting measures to maintain financial viability.

Wastewater system user fees are the primary source of revenues to pay for wastewater utility requirements, historically accounting for nearly 90 percent of ongoing utility operating revenues. Projected revenues from wastewater system user fees are based on current rates and projected growth in demand for wastewater system services.

DISCUSSION OF RATE SCENARIOS

After careful review of current operations and maintenance (O&M) expenses, debt service payments on bonds used to pay for major investment in system facilities, equipment, and other financial requirements established by the City Council to ensure the financial integrity and sustainability of the wastewater utility, capital improvement needs, and the infrastructure use fee (IUF), staff presented six rate scenarios for discussion (Scenarios 1, 2A, 2B, 3, 4, and 5). The URAP requested modifications resulting in three additional scenarios (2.2A, 2.2B, and 2.3). Each of these scenarios and required rate increases have been calculated by modifying the amount and timing of the CIP, the timing of meeting financial policies and inclusion or exclusion of the infrastructure use fee. O&M cost increases are calculated at approximately three percent annually over the five years of this proposed rate increase for all scenarios. Debt service is similar in each of the scenarios. All scenarios used the current FY 2016-17 typical residential monthly bill for wastewater services, \$41.77, as the base line.

All proposed rate scenarios assume that the 35 percent increase which was implemented March 1, 2016, stays in place. This rate is currently being litigated and the court is likely to determine the legality of the City collecting this rate this summer. If the court rules that the 35 percent increase will not remain in place, this would drastically change the entire financial position for the wastewater treatment plant and cause all of these scenarios to be inadequate to meet O&M expenses, debt service payments, and critical capital improvement projects, as well as meet bond covenants and the City's reserve policy. Below is a summary, as well as a detailed table, for each scenario:

SCENARIO 1: Enhanced Reliability CIP, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017-18

- This scenario is the most aggressive with an initial rate increase of ten percent followed by two years of increases of 7.5 percent and then two years of increases of seven percent.
- This CIP includes projects totaling \$121,995,000, which is the most aggressive CIP proposed.
- Because of the aggressive nature of this CIP, it may be too large for the current City program management staff to manage and implement.
- Cash is built up in the first two years in order to allow the City to be able to borrow \$84,606,000 in year three to complete projects.
- The full implementation of the Infrastructure Use Fee is included.
- This scenario allows the City to cash flow the wastewater utility in the positive in the first year of implementing the rate increase beginning in July 2017.
- City is able to reach the City Council's adopted financial policies for reserves in three years.
- The City's debt coverage policy is met in the first year of adoption of this scenario.
- This scenario estimates for a continued decrease of and then a leveling out of future rate increases in 2022-23 through 2026-27.
- This scenario allows the wastewater utility fund to improve its credit rating and to protect the overall financial position of the City from having a negative outlook.

Scenario 1	Enhanced Reliability CIP, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18					
No Cash flow Deficit in Year 1						
Reserve goal in 3-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,475,000	\$13,124,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$6,352,000	\$13,358,000	\$41,027,000	\$57,240,000	\$121,995,000
Bond Proceeds Required	\$0	\$0	\$14,227,000	\$27,762,000	\$42,617,000	\$84,606,000
Reserves	\$10,239,000	\$12,071,000	\$25,234,000	\$25,214,000	\$25,402,000	
						Cumulative
Rate Increases	10.00%	7.50%	7.50%	7.00%	7.00%	45.54%
Typical Bill ²	\$45.99	\$49.42	\$53.09	\$56.77	\$60.78	<i>Cumulative (Monthly)</i>
Increase	\$4.22	\$3.43	\$3.67	\$3.68	\$4.01	<i>\$19.01</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 2A: CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017-18

- This scenario has an initial rate increase of ten percent followed by two years of seven percent rate increases each year and then each of the next two years has a proposed increase of five percent.
- This scenario allows the wastewater fund to build reserves immediately or in FY 2017-18.
- This CIP allows the City to take care of urgent capital improvements with a cost of \$83,890,000 and have to borrow less than Scenario 1 or \$51,421,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$51,421,000 to complete projects.
- This scenario includes the full implementation of the Infrastructure Use Fee.
- The City is able to reach the City Council's adopted financial policies for reserves in three years and meet its debt coverage policy in the first year of adoption of this scenario.
- This scenario estimates for a continued decrease, and then a leveling out of future rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating and to protect the overall financial position of the City from having a financial negative outlook.

Scenario 2A CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18						
Reserve goal in 3-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,083,000	\$12,645,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$21,797,000	\$15,264,000	\$51,421,000
Reserves	\$10,239,000	\$12,728,000	\$25,467,000	\$25,020,000	\$25,745,000	
						Cumulative
Rate Increases	10.00%	7.00%	7.00%	5.00%	5.00%	38.85%
Typical Bill	\$45.99	\$49.26	\$52.75	\$55.40	\$58.22	<i>Cumulative (Monthly)</i>
Increase	\$4.22	\$3.27	\$3.49	\$2.65	\$2.82	<i>\$16.45</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 2B: CIP with an Outlook to the Future, Full IUF, Reserve Policy Met in 5 Years, Begin to Build Reserves in FY 2019-2020

- This scenario has an initial lower rate increase of 6% compared to the first two scenarios and continues to be at the same level for years FY 2018-19 through FY 2021-22.
- This scenario delays the buildup of reserves until FY 2019-20.
- The capital improvement program (CIP) allows for the City to take care of urgent capital improvements with a cost of \$83,890,000 but the City would have to borrow more than Scenario 2A or \$60,175,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$60,175 million to complete projects.
- This scenario includes the full implementation of the Infrastructure Use Fee.
- The City is able to reach the City Council's adopted financial policies for reserves in five years or be delayed by two years compared to Scenarios 1 and 2A.
- The debt coverage policy is met in the first year of adoption of this scenario, which is the same time period as Scenario 2A.
- This scenario estimates for a continued decrease, and then a leveling out of future rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating.

Scenario 2B CIP with an Outlook to the Future, Full IUF, Reserve Policy met in 5 Years, Begin to Build Reserves in FY 2019/20						
Reserve goal in 5-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$24,872,000	\$20,943,000	\$60,175,000
Reserves	\$8,641,000	\$9,485,000	\$20,131,000	\$20,675,000	\$25,165,000	
						Cumulative
Rate Increases	6.00%	6.00%	6.00%	6.00%	6.00%	33.82%
Typical Bill	\$44.34	\$47.02	\$49.87	\$52.91	\$56.15	<i>Cumulative (Monthly)</i>
Increase	\$2.57	\$2.67	\$2.86	\$3.04	\$3.24	<i>\$14.38</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 3: CIP with an Outlook to the Future, STREETS IUF Only, Begin to Build Reserves in FY 2019-20

- This scenario has an overall lower rate increase of four percent compared to Scenarios 1, 2A and 2B and continues to be at the same level for years FY 2018-19 through FY 2021-22.
- This scenario delays the buildup of reserves until the fifth year or FY 2021-22.
- The CIP program allows the City to take care of urgent capital improvements with a cost of \$83,890,000, but the City has to borrow more than Scenarios 2A and 2B or \$65,101,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$65,101,000 million to complete projects.
- This scenario excludes public safety from the Infrastructure Use Fee. The general fund would need to make up this shortfall caused by the wastewater fund, an enterprise fund, to pay for public safety services provided by Police and Fire.
- The City is able to reach the City Council's adopted financial policies for reserves in five years or delayed by two years compared to Scenarios 1 and 2A, but the same as in Scenario 2B.
- The debt coverage policy is met in the first year of adoption of this scenario, which is a year ahead compared to Scenarios 2A and 2B.
- This scenario estimates for a spike of rate increases in 2022-23 through 2026-27, which causes rates to increase compared to this scenario's level four percent.
- This scenario will delay the wastewater utility fund to improve its credit rating.

Scenario 3 CIP with an Outlook to the Future, Streets IUF Only, Begin to Build Reserves in FY 2019/20						
Reserve goal in 5-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$1,095,000	\$1,122,000	\$1,150,000	\$1,179,000	\$1,209,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$26,750,000	\$24,596,000	\$65,706,000
Reserves	\$9,055,000	\$9,657,000	\$19,310,000	\$19,893,000	\$25,280,000	
Rate Increases	4.00%	4.00%	4.00%	4.00%	4.00%	Cumulative 21.67%
Typical Bill	\$43.49	\$45.24	\$47.12	\$49.05	\$51.03	<i>Cumulative (Monthly)</i>
Increase	\$1.72	\$1.76	\$1.88	\$1.93	\$1.98	\$9.26
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 4: Urgent Minimum CIP with No Future Planning and Design, NO IUF, Begin to Build Reserves in FY 2019-2020 and, Possible Future Spikes in Rates to Meet Future Cost Increases

- This scenario has an overall rate increase of three percent which is the same as Scenario 3 and continues to be at the same level for years FY 2018-19 through FY 2021-22.
- This scenario delays the buildup of reserves until the fifth year or FY 2021-22.
- This CIP allows the City to take care of urgent capital improvements with a cost of \$68,000,000 , but does not allow the City to begin planning and designing for other longer-term critical capital improvements. By doing this, the City will have a delay in implementing future capital improvements because design of improvements have not been completed and projects are not near “shovel ready” as new rates are considered.
- The City would have to borrow more than Scenarios 2A and 2B or \$65,101,000 . Cash would have to build up in the first two years in order to allow the City to able to borrow \$65,101,000 million to complete projects.
- This scenario also excludes completely the Infrastructure Use Fee. Therefore, the General Fund would need to pick up the full costs for streets and public safety impacted by wastewater activities such as cutting into streets or on-call services provided by Police and Fire.
- The City is able to reach the City Council’s adopted financial policies for reserves in five years or delayed by two year compared to Scenarios 1 and 2A, but the same as 2B and 3.
- The debt coverage policy is met in the first year of adoption of this scenario which is the same time-frame as Scenarios 1 and 3.
- This scenario anticipates a significant spike in rates in 2022-23 through 2026-27. Rates could significantly increase above seven percent annually assuming costs increase at similar levels as calculated in this study.
- This scenario will delay the improvement of the wastewater utility fund’s credit rating, delay the proper planning for future capital improvements and cause a spike in rates in the following five-year period in order to meet cost of service increases.

Scenario 4	Urgent Minimum CIP with NO Future Planning and Design, No IUF, Begin to Build Reserves in FY 2019/20 and Sets up for Future Spikes in Rates to Meet Future Cost Increases					
Reserve goal in 5-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
Design for plant renewal not included in years 1 to 5						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$0	\$0	\$0	\$0	\$0	
CIP (Current Dollars)¹	\$4,018,000	\$4,052,000	\$8,940,000	\$29,634,000	\$22,116,000	\$68,760,000
Bond Proceeds Required	\$0	\$0	\$9,521,000	\$23,407,000	\$18,698,000	\$51,626,000
Reserves	\$8,437,000	\$10,681,000	\$18,303,000	\$21,505,000	\$22,266,000	
Rate Increases	3.00%	3.00%	3.00%	3.00%	3.00%	Cumulative 15.93%
Typical Bill	\$43.05	\$44.36	\$45.71	\$47.14	\$48.60	<i>Cumulative (Monthly)</i>
Increase	\$1.28	\$1.31	\$1.34	\$1.43	\$1.46	\$6.83
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 5: CIP with an Outlook to the Future and Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017-18

No IUF in FY 2017/18, Streets IUF in FY 2018/19, Full IUF Starting in FY 2019/20

- This scenario has an initial rate increase of 8.25 percent followed by two years of 7% rate increases each year and then each of the next two years has a proposed increase of 5%.
- This scenario allows the wastewater fund to build reserves immediately or in FY 2017-18.
- The capital improvement program (CIP) allows for the City to take care of urgent capital improvements with a cost of \$83,890,000 and have to borrow less than Scenario 1 and Scenario 2A, which would be or \$50,617,000 million.
- Cash would have to build up in the first two years in order to allow the City to able to borrow \$50,617,000 to complete projects.
- This scenario includes a “ramp up” of the Infrastructure Use Fee with no IUF in FY 2017/18, the Streets IUF only in FY 2018-19, and the full IUF starting in FY 2019/20
- The general fund would need to make up about \$2,164,000 in FY 2017/18, and \$1,042,000 in FY 2018/19 due to the ramp-up of IUF payments
- The City is able to reach the City Council’s adopted financial policies for reserves in four three years and meet its debt coverage policy in the first year of adoption of this scenario.
- This scenario estimates for a continued decrease, and then a leveling out, of future rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating and, protect the overall city from having a financial negative outlook.

CIP with an Outlook to the Future, Less Time to Reach Financial Policies, No IUF in FY 2017/18, Streets IUF in FY 2018/19, Full IUF Starting FY 2019/20, Begin to Build Reserves in FY 2017/18						
Scenario 5						
Reserve goal in 3-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,083,000	\$12,645,000	
Infrastructure Use Fee	\$0	\$1,122,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$20,367,000	\$15,890,000	\$50,617,000
Reserves	\$11,824,000	\$14,782,000	\$26,897,000	\$24,394,000	\$25,055,000	
Rate Increases	8.25%	7.00%	7.00%	5.00%	5.00%	Cumulative 36.64%
Typical Bill	\$45.27	\$48.51	\$51.97	\$54.60	\$57.38	Cumulative (Monthly)
Increase	\$3.50	\$3.24	\$3.46	\$2.62	\$2.79	\$15.61
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Additional Scenarios Identified at February 15, 2017 URAP Meeting

SCENARIO 2.2A: CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017-18

Updates from Scenario 2A: Change the last 5% increase to 6%. \$5 Million in Design costs moved out of years 1 to 5.

- This scenario has an initial rate increase of ten percent followed by two years of seven percent rate increases each year and then each of the next two years has a proposed increase of six percent.
- This scenario allows the wastewater fund to build reserves immediately or in FY 2017-18.
- This CIP allows the City to take care of urgent capital improvements with a cost of \$78,890,000 and have to borrow less than Scenario 1 and Scenario 2A or \$46,745,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$46,745,000 to complete projects.
- This scenario includes the full implementation of the Infrastructure Use Fee.
- The City is able to reach the City Council's adopted financial policies for reserves in three years and meet its debt coverage policy in the first year of adoption of this scenario.
- This scenario estimates for a continued decrease, and then a leveling out, of future rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating and protect the overall financial position of the City from having a financial negative outlook.

Scenario 2.2A	Assumptions of Scenario 2A with the following updates: Change the last 5% increase to 6%. \$5 Million in Design costs moved out of years 1 to 5.					
No Cashflow Deficit in Year 1						
Reserve goal in 3-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,083,000	\$12,645,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$20,757,000	\$13,403,000	\$46,745,000
Reserves	\$10,239,000	\$12,728,000	\$25,222,000	\$25,745,000	\$27,104,000	
Rate Increases	10.00%	7.00%	7.00%	6.00%	6.00%	Cumulative 41.51%
Typical Bill ²	\$45.99	\$49.26	\$52.75	\$55.98	\$59.34	Cumulative (Monthly)
Increase	\$4.22	\$3.27	\$3.49	\$3.23	\$3.36	\$17.57
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

SCENARIO 2.2B: CIP with an Outlook to the Future, Full IUF Beginning FY 2019-20, Reserve Policy Met in 5 Years, Begin to Build Reserves in FY 2017-18

Updates from Scenario 2B: Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.

- This scenario has an initial lower rate increase of 5.25% compared to Scenarios 1, 2A, and 2.2A and continues to be at the same level for years FY 2018-19 through FY 2012-22.
- Suspension of the IUF in in FY 2017-18 and FY 2018-19 allows the buildup of reserves to begin in FY 2017-18.
- The capital improvement program allows for the City to take care of urgent capital improvements with a cost of \$78,890,000, but must borrow more than Scenario 2A and 2.2A or \$55,840,000 .
- Cash would have to build up in the first two years to allow the City to able to borrow \$55.840 million to complete projects.
- The City can reach the City Council’s adopted financial policies for reserves in four years or be delayed by one year compared to Scenarios 1 and 2A.
- The debt coverage policy is met in the first year of adoption of this scenario, which is the same period as Scenario 2A.
- This scenario will allow the wastewater utility fund to improve its credit rating over time.

Assumptions of Scenario 2B with the following updates:						
Scenario 2.2B	Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.					
Reserve goal in 4-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$0	\$0	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$23,737,000	\$19,518,000	\$55,840,000
Reserves	\$10,526,000	\$13,050,000	\$22,670,000	\$22,583,000	\$25,815,000	
Rate Increases	5.25%	5.25%	5.25%	5.25%	5.25%	Cumulative 29.15%
Typical Bill	\$43.98	\$46.34	\$48.78	\$51.39	\$54.15	Cumulative (Monthly)
Increase	\$2.21	\$2.36	\$2.44	\$2.60	\$2.77	\$12.38
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

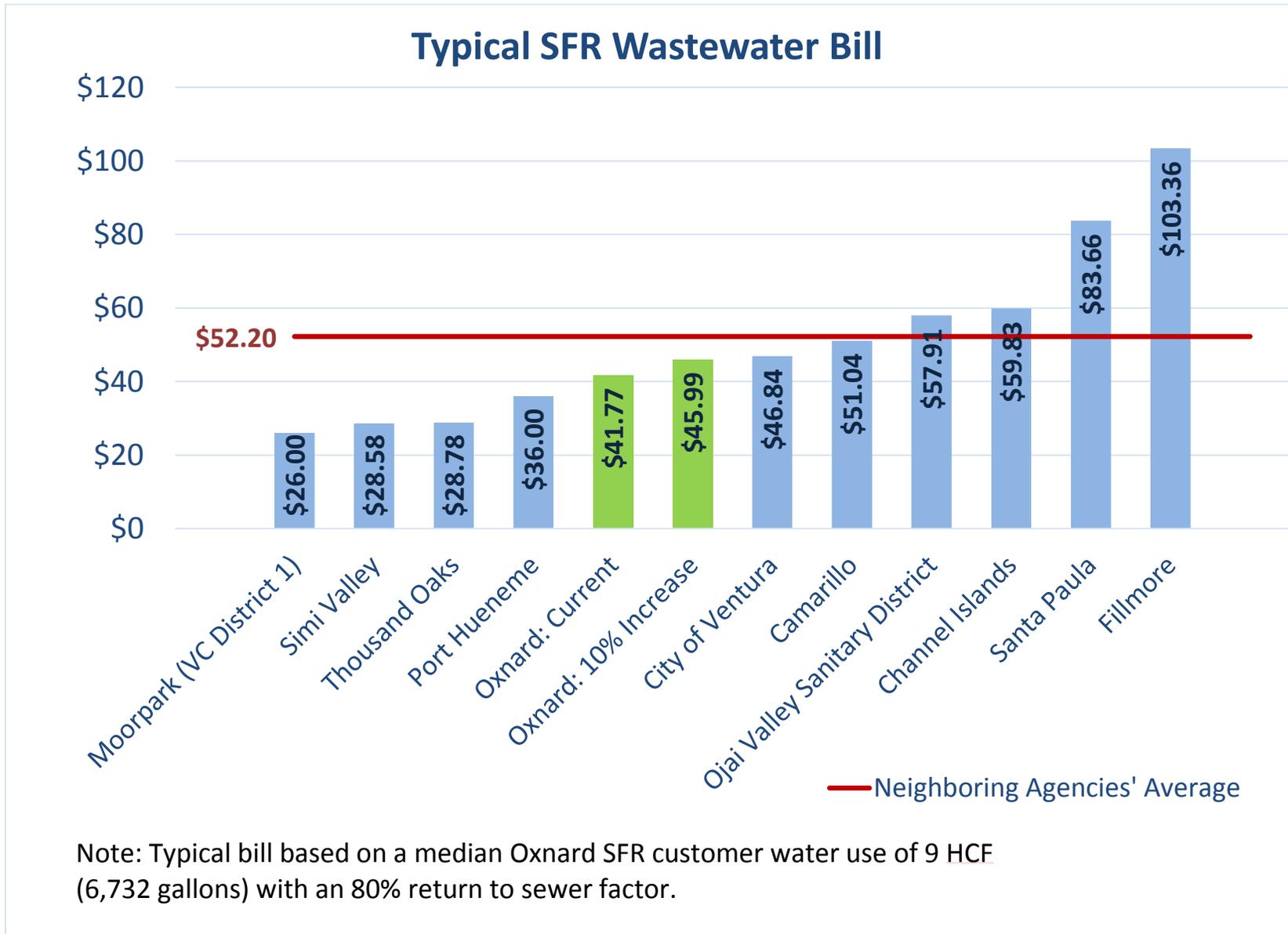
SCENARIO 2.3: CIP with an Outlook to the Future, STREETS IUF Only, Begin to Build Reserves in FY 2017-18

Updates from Scenario 3: Begin to build reserves in 2017-18, rather than delayed to 2019-20. \$5 Million in Design costs moved out of years 1 to 5.

- This scenario has a rate increase of 6.5 percent in FY 2017-18 and 2018-19, 5 percent in FY 2019-20 and 4 percent in FY 2020-21 and 2021-22.
- This scenario begins to build reserves in FY 2017-18 and meets the council policy in the third year or FY 2019-20.
- The CIP program allows the City to take care of urgent capital improvements with a cost of \$78,890,000, with bonding requirements of \$53,296,000.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$53,296,000 to complete projects.
- This scenario excludes public safety from the Infrastructure Use Fee. The general fund would need to make up this shortfall caused by the wastewater fund, an enterprise fund, to pay for public safety services provided by Police and Fire.
- The debt coverage policy is met in the first year of adoption of this scenario.
- This scenario estimates for a slight rise of rate increases in 2022-23 through 2026-27.
- This scenario will allow the wastewater utility fund to improve its credit rating.

Assumptions of Scenario 3 with the following updates:						
Begin to build reserves in 2017-18, rather than delayed to 2019-20. \$5 Million in Design costs moved out of years 1 to 5.						
Scenario 2.3						
Reserve goal in 3-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$1,095,000	\$1,122,000	\$1,150,000	\$1,179,000	\$1,209,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$23,737,000	\$16,974,000	\$53,296,000
Reserves	\$9,808,000	\$12,019,000	\$23,486,000	\$24,854,000	\$26,587,000	
Rate Increases	6.50%	6.50%	5.00%	4.00%	4.00%	Cumulative 28.81%
Typical Bill	\$44.56	\$47.46	\$49.86	\$51.87	\$54.00	Cumulative (Monthly)
Increase	\$2.79	\$2.91	\$2.40	\$2.01	\$2.13	\$12.23
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Neighboring Agencies' SFR Bill Comparison



Scenario Comparisons

	Current	Projected -->				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Scenario 1						
Enhanced Reliability CIP, Full IUF, Less time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18						
Percent Increase		10.00%	7.50%	7.50%	7.00%	7.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.42	\$53.09	\$56.77	\$60.78
Monthly Increase		\$4.22	\$3.43	\$3.67	\$3.68	\$4.01
Scenario 2A						
CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18						
Percent Increase		10.00%	7.00%	7.00%	5.00%	5.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.26	\$52.75	\$55.40	\$58.22
Monthly Increase		\$4.22	\$3.27	\$3.49	\$2.65	\$2.82
Scenario 2.2A						
Assumptions of Scenario 2A with the following updates: Change the last 5% increase to 6%. \$5 Million in Design costs moved out of years 1 to 5.						
Percent Increase		10.00%	7.00%	7.00%	6.00%	6.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.26	\$52.75	\$55.98	\$59.34
Monthly Increase		\$4.22	\$3.27	\$3.49	\$3.23	\$3.36
Scenario 2B						
CIP with an Outlook to the Future, Full IUF, Reserve Policy Met in 5 Years, Begin to Build Reserves in FY 2019/20						
Percent Increase		6.00%	6.00%	6.00%	6.00%	6.00%
Typical Monthly Bill	\$41.77	\$44.34	\$47.02	\$49.87	\$52.91	\$56.15
Monthly Increase		\$2.57	\$2.67	\$2.86	\$3.04	\$3.24

	Current	Projected -->				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22

Assumptions of Scenario 2B with the following updates:

Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.

Scenario 2.2B

Percent Increase		5.25%	5.25%	5.25%	5.25%	5.25%
Typical Monthly Bill	\$41.77	\$43.98	\$46.34	\$48.78	\$51.39	\$54.15
Monthly Increase		\$2.21	\$2.36	\$2.44	\$2.60	\$2.77

Scenario 3

CIP with an Outlook to the Future, Streets IUF Only, Begin to Build Reserves in FY 2019/20

Percent Increase		4.00%	4.00%	4.00%	4.00%	4.00%
Typical Monthly Bill	\$41.77	\$43.49	\$45.24	\$47.12	\$49.05	\$51.03
Monthly Increase		\$1.72	\$1.76	\$1.88	\$1.93	\$1.98

Assumptions of Scenario 3 with the following updates:

Begin to build reserves in 2017-18, rather than delayed to 2019-20. \$5 Million in Design costs moved out of years 1 to 5.

Scenario 2.3

Percent Increase		6.50%	6.50%	5.00%	4.00%	4.00%
Typical Monthly Bill	\$41.77	\$44.56	\$47.46	\$49.86	\$51.87	\$54.00
Monthly Increase		\$2.79	\$2.91	\$2.40	\$2.01	\$2.13

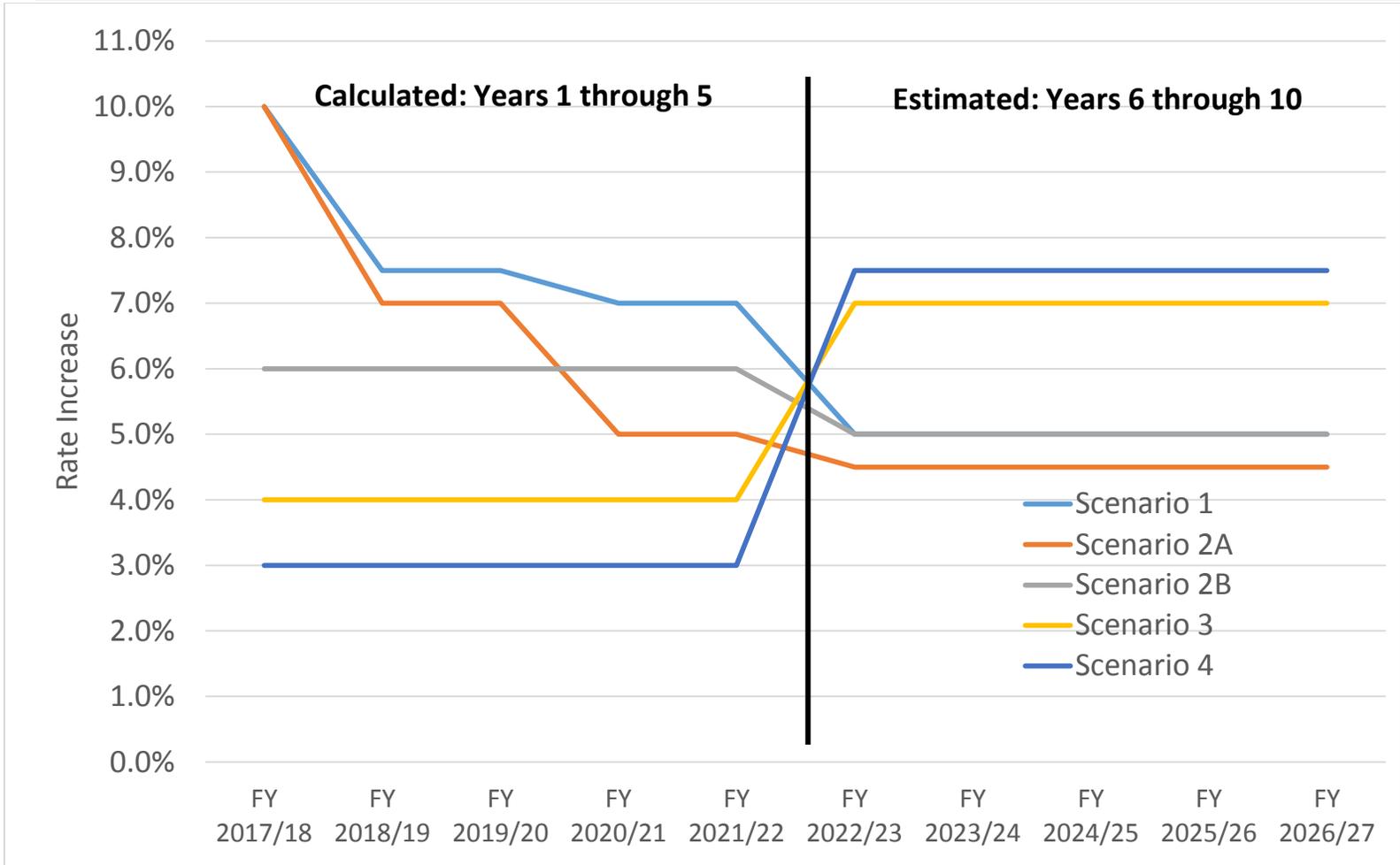
Scenario 4

Urgent Minimum CIP with NO Future Planning and Design, No IUF, Begin to Build Reserves in FY 2019/20, Sets up for Future Spikes in Rates to Meet Future Cost Increases

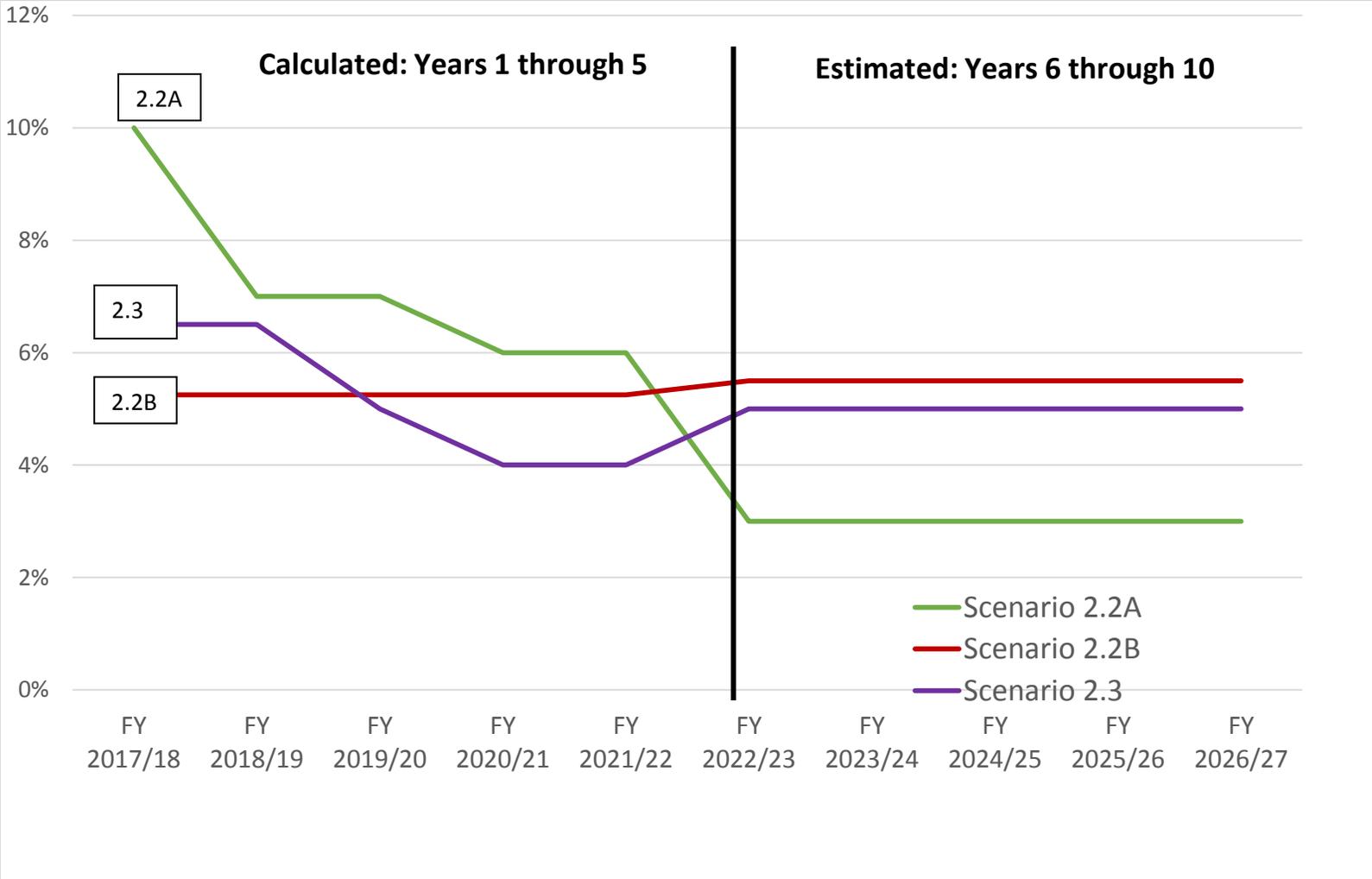
Percent Increase		3.00%	3.00%	3.00%	3.00%	3.00%
Typical Monthly Bill	\$41.77	\$43.05	\$44.36	\$45.71	\$47.14	\$48.60
Monthly Increase		\$1.28	\$1.31	\$1.34	\$1.43	\$1.46

	Current	Projected -->				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Scenario 5						
CIP with an Outlook to the Future, Less Time to Reach Financial Policies, No IUF in FY 2017/18, Streets IUF in FY 2018/19, Full IUF Starting FY 2019/20, Begin to Build Reserves in FY 2017/18						
Percent Increase		8.25%	7.00%	7.00%	5.00%	5.00%
Typical Monthly Bill	\$41.77	\$45.27	\$48.51	\$51.97	\$54.60	\$57.38
Monthly Increase		\$3.50	\$3.24	\$3.46	\$2.62	\$2.79

Scenario Comparison – Estimated year 6 to 10 rate increases for each of the tested Scenarios



Scenario Comparison – Estimated year 6 to 10 rate increases for each of the URAP requested Scenarios



Utilities Task Force

Presentation of Wastewater Rates Recommended by the URAP

March 2, 2017

Mission: The mission of the URAP was to review the financial needs of the Wastewater utility, consider options, and provide a recommendation to the Utilities Task Force.

Members and Alternates: Members included Manuel Herrera; Richard Elzinga; David Littell; Elva Marie Lindsey; Nancy Lindholm; Aaron Starr; and Rudy Rehbein. The Alternates were Steve Nash, Elva Marie Lindsey, Barbara Marci-Ortiz and Frank Brommenschenkel.

UTILITY RATEPAYERS ADVISORY PANEL (URAP)

Meetings: There were five, three-hour meetings from 6 p.m. to 9 p.m., held every week for the past 5 weeks, beginning on January 25, 2017, and concluding February 22, 2017. All meetings were advertised, open to the public, live-streamed and filmed.

Date	Topic
Wednesday, January 25	URAP Meeting #1: Review existing situation of the Wastewater Utility
Wednesday, February 1	URAP Meeting #2: Review future needs of the Wastewater Utility
Wednesday, February 8	URAP Meeting #3: Review of Wastewater CIP projects
Wednesday, February 15	URAP Meeting #4: Review of Wastewater Rate Scenarios
Wednesday, February 22	URAP Meeting #5: URAP Recommendation

Guidelines for Consistent and Fair Rates

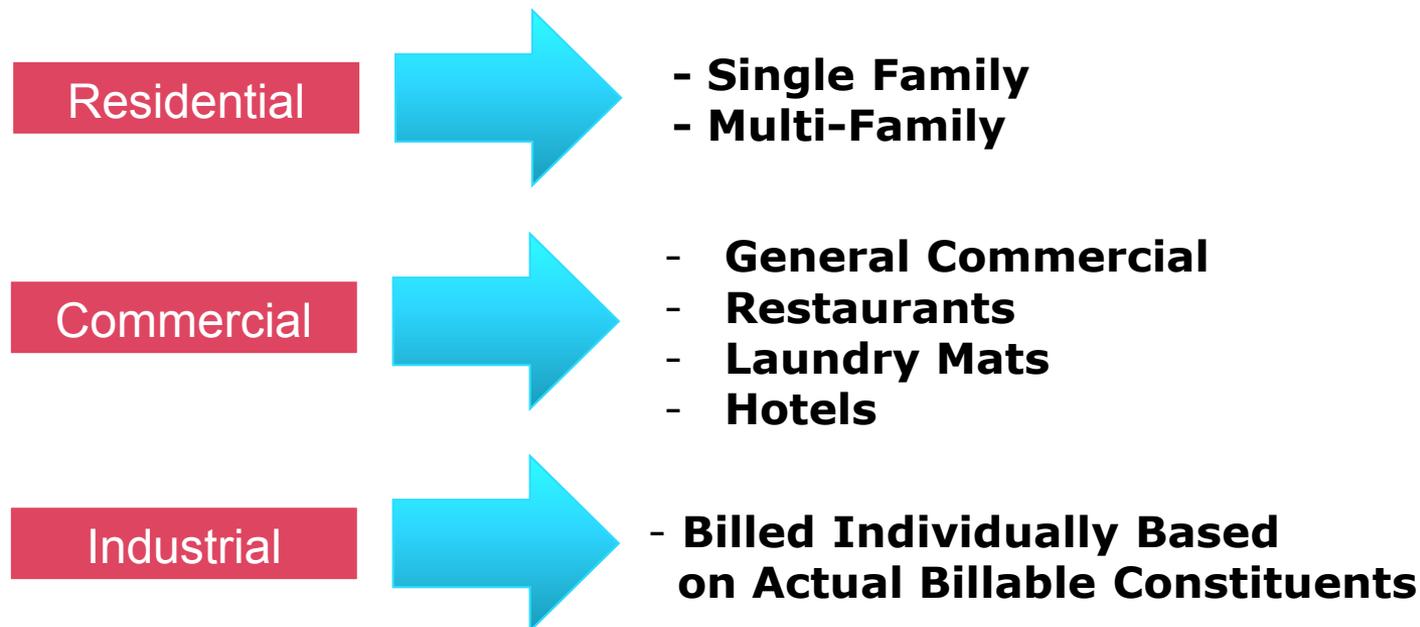
- Utility revenue can only be used for the utility for which it is collected.
- Utility charges must not exceed the estimated reasonable cost of providing service.
- Rates must be charged only to the users benefiting from the service.

Rate Structure Considerations

Functional Allocation: Allocation of costs to “billable constituents”

Customer Classifications: e.g. Single-Family Residential, Multi-Family, etc.

Tiered Rates: e.g. based on consumption



Revenue Requirements Analysis

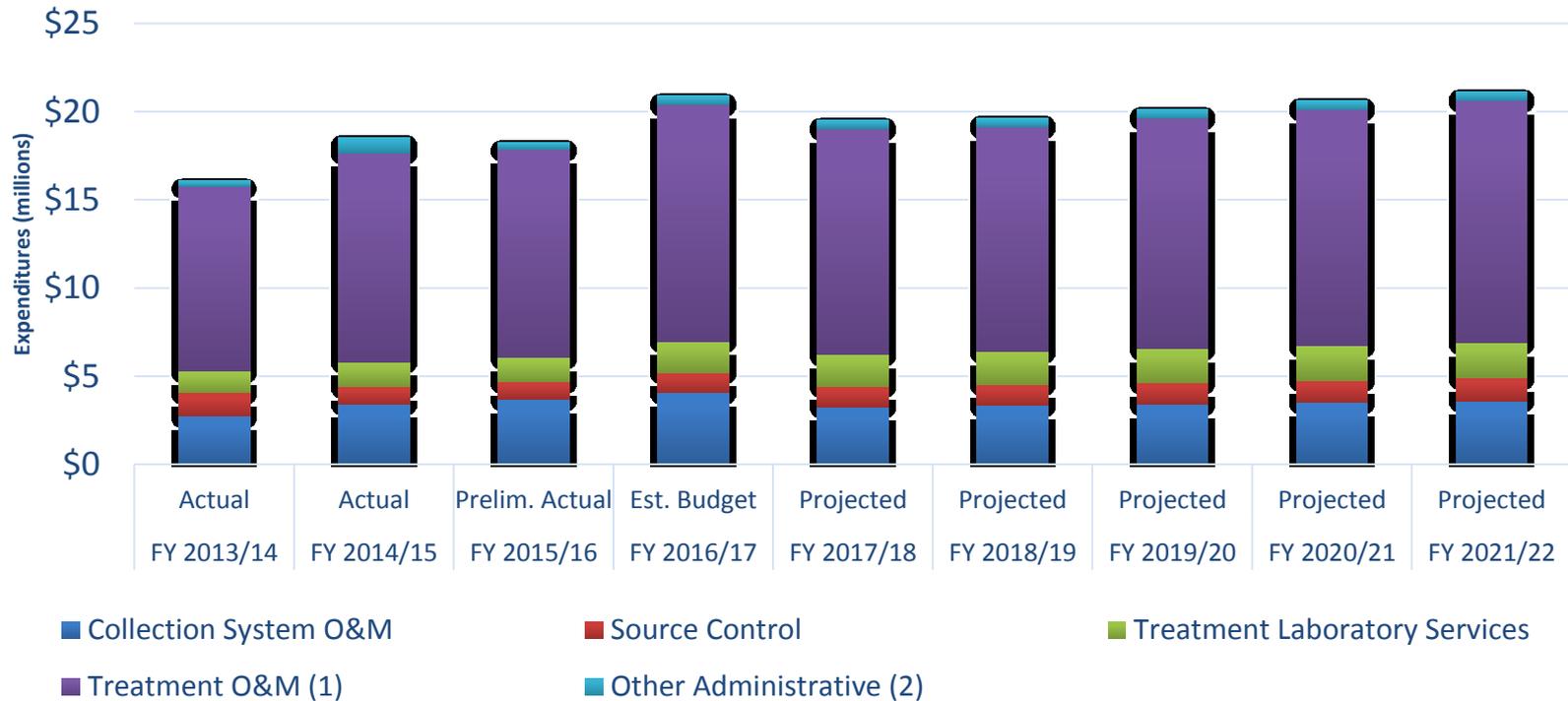
The revenue requirements analysis determines the amount of revenue that the wastewater utility must generate to recoup its operating and capital costs.

5 Key Factors when Analyzing:

1. O&M Costs
2. Existing Debt
3. Capital Costs
 - Cash Funded
 - Debt service
4. Infrastructure Use Fees
5. Reserves/Financial Policies (best practices)

Factor 1) Operating and Maintenance Costs

- Ongoing day to day costs required to operate and maintain the collection system and the OWTP
- Projected using current O&M and escalation factors



(1) Includes Treatment Service and Treatment Maintenance and Upgrades divisions
 (2) Includes Public Information division and administrative costs associated with debt

Basis of O&M Projection

- Zero based budget for FY 2016/17 with adjustments for FY 2017/18 to remove one-time and short-term costs
- Total costs for FY 2017/18 represent a 3.8 percent increase over FY 2015/16 costs

Division	FY 2015/16 Prelim. Actual	FY 2016/17 Est. Budget	FY 2017/18 Projected	FY 2017/18 Change
WWC Source Control / Services	\$980,000	\$1,137,000	\$ 1,165,000	\$28,000
Collection System Main & Upgrade	\$3,697,000	\$4,073,000	\$3,266,000	(\$807,000)
WWT Laboratory Services	\$1,379,000	\$1,770,000	\$1,814,000	\$44,000
Treatment Services	\$7,293,000	\$7,891,000	\$7,711,000	(\$180,000)
Treatment System Main & Upgrades	\$4,508,000	\$5,267,000	\$4,507,000	(\$760,000)
Public Information	101,000	\$180,000	\$184,000	\$4,000
Debt Service Admin	314,000	\$315,000	\$315,000	\$0
Total O&M Expenditures	\$18,272,000	\$20,633,000	\$18,962,000	(\$1,671,000)

Factor 2) Existing Debt Service

- The wastewater fund currently holds 4 outstanding debt obligations

Obligation	Outstanding Principle ⁽¹⁾	Year Fully Repaid
2014 Bonds	\$71,985,000	FY 2032/33
2013 Refunding Bonds	\$9,561,000	FY 2019/20
2006 Bonds	\$9,715,000	FY 2035/36
2004 Series B Bonds	\$15,725,000	FY 2033/34
Total	\$106,986,000	

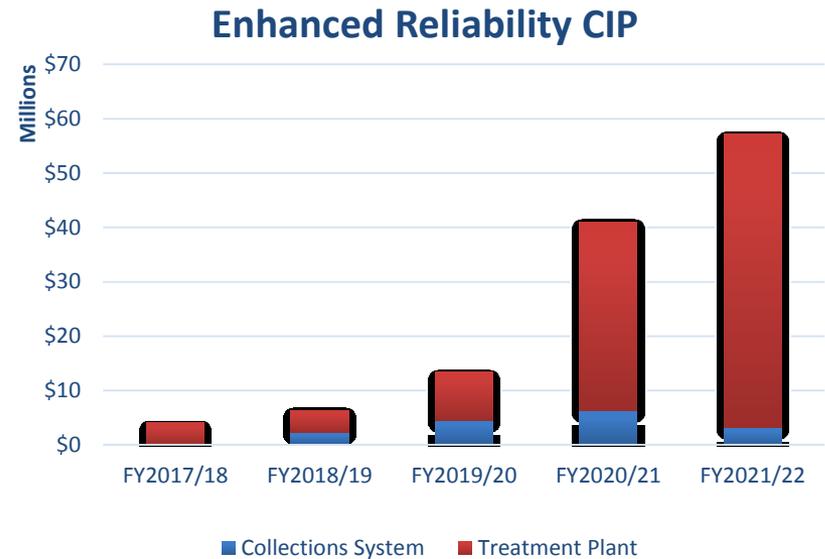
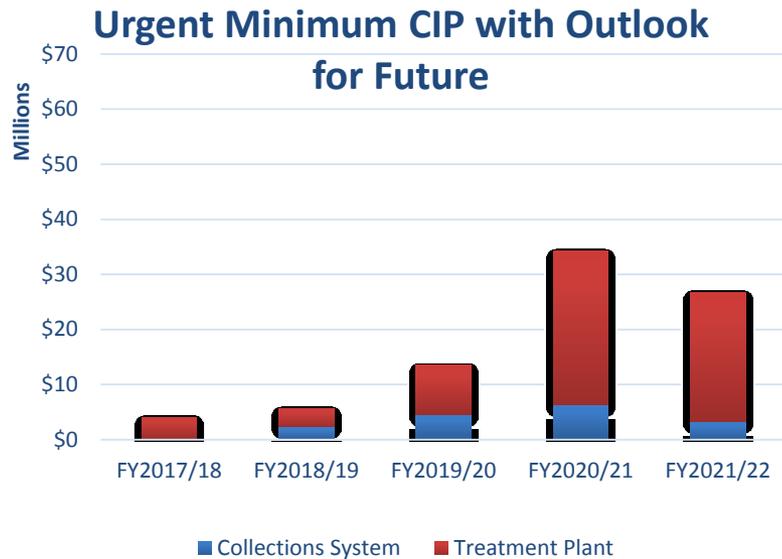
(1) FY 2016/17 as of June 30, 2017, through repayment, based on official statements

Outstanding

Debt Service	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Interest	\$5,215,000	\$5,056,000	\$4,891,000	\$4,722,000	\$4,480,000
Principal	\$4,481,000	\$4,614,000	\$4,746,000	\$4,785,000	\$5,005,000
Total	\$9,696,000	\$9,670,000	\$9,637,000	\$9,507,000	\$9,485,000

Factor 3) Capital Improvement Program

- Two of three CIP scenarios have been developed and tested



Minimum CIP	Years 1 to 5 Projected
Collections	\$16.39
Treatment	\$67.50
Total CIP	\$83.89

Enhanced Reliability CIP	Years 1 to 5 Projected
Collections	\$16.39
Treatment	\$105.61
Total CIP	\$122.0

Capital Funding

- Funding calculations assume an escalation factor of 3.2% per year for CIP costs based on ENR-CCI
- The CIP will be funded using a combination of Cash and new debt issuances
- Spending in years 1 and 2 will be cash funded
 - Emergency repairs have short lifespans
 - Limited availability of debt options due to financial position
- Spending in years 3 through 5 will primarily debt funded
 - First debt issuance to take place in FY 2019/20
 - 30 year municipal bonds
 - 6% Interest Rate
 - 1 year of Capitalized Interest

Factor 4) Infrastructure Use Fee (IUF)

- Payments from the wastewater fund to the City to cover street maintenance and public safety (police and fire)
- Based on 2014 study
- Escalated from FY 2016/17 basis each year based on general inflation of 2.5%

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Division	Budget	Projected	Projected	Projected	Projected	Projected
Streets (Fund 105)	\$1,068,000	\$1,095,000	\$1,122,000	\$1,150,000	\$1,179,000	\$1,209,000
Public Safety (Fund 101)	\$992,000	\$1,017,000	\$1,042,000	\$1,068,000	\$1,095,000	\$1,122,000
Total IUF	\$2,060,000	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000

Factor 5: Reserves/Financial Policies

- Financial Policies approved by City Council in January 2016
- Intended to promote fiscal responsibility and to attain and keep desirable credit ratings through best practices
- Debt Coverage Target
 - Policy minimum of 1.25 x
- Minimum Reserve Target
 - 90 days O&M + 180 days debt service + 1 year depreciation

Scenarios

- Nine scenarios were developed
- Required rate increases have been calculated for each by modifying:
 - CIP Timing
 - Timing to meet financial policies
 - Inclusion/Exclusion of Infrastructure Use Fees
- O&M costs are consistent for each scenario

Scenario 1 – Enhanced Reliability CIP, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18

Scenario 1 Enhanced Reliability CIP, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18						
No Cashflow Deficit in Year 1						
Reserve goal in 3-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,475,000	\$13,124,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$6,352,000	\$13,358,000	\$41,027,000	\$57,240,000	\$121,995,000
Bond Proceeds Required	\$0	\$0	\$14,227,000	\$27,762,000	\$42,617,000	\$84,606,000
Reserves	\$10,239,000	\$12,071,000	\$25,234,000	\$25,214,000	\$25,402,000	
Rate Increases	10.00%	7.50%	7.50%	7.00%	7.00%	Cumulative 45.54%
Typical Bill ²	\$45.99	\$49.42	\$53.09	\$56.77	\$60.78	<i>Cumulative (Monthly)</i>
Increase	\$4.22	\$3.43	\$3.67	\$3.68	\$4.01	<i>\$19.01</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Scenario 2A – CIP with an Outlook to the Future, Less Time to Reach Financial Policies, Full IUF, Begin to Build Reserves in FY 2017-18

Scenario 2A	CIP with an Outlook to the Future, Less Time to Reach Financial Policies, Full IUF, Begin to Build Reserves in FY 2017/18					
Reserve goal in 3-years						
Debt coverage policy met in year 2						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,083,000	\$12,645,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$21,797,000	\$15,264,000	\$51,421,000
Reserves	\$10,239,000	\$12,728,000	\$25,467,000	\$25,020,000	\$25,745,000	
						<i>Cumulative</i>
Rate Increases	10.00%	7.00%	7.00%	5.00%	5.00%	38.85%
Typical Bill	\$45.99	\$49.26	\$52.75	\$55.40	\$58.22	<i>Cumulative (Monthly)</i>
Increase	\$4.22	\$3.27	\$3.49	\$2.65	\$2.82	<i>\$16.45</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Scenario 2B – CIP with an Outlook to the Future, Full IUF, Reserve Policy met in 5 Years, Begin to Build Reserves in FY 2019-20

Scenario 2B	CIP with an Outlook to the Future, Full IUF, Reserve Policy met in 5 Years, Begin to Build Reserves in FY 2019/20					
Reserve goal in 5-years						
Debt coverage policy met in year 2						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$24,872,000	\$20,943,000	\$60,175,000
Reserves	\$8,641,000	\$9,485,000	\$20,131,000	\$20,675,000	\$25,165,000	
Rate Increases	6.00%	6.00%	6.00%	6.00%	6.00%	Cumulative 33.82%
Typical Bill	\$44.34	\$47.02	\$49.87	\$52.91	\$56.15	<i>Cumulative (Monthly)</i>
Increase	\$2.57	\$2.67	\$2.86	\$3.04	\$3.24	<i>\$14.38</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Scenario 3 – CIP with an Outlook to the Future, Streets IUF Only, Begin to Build Reserves in FY 2019/20

Scenario 3 CIP with an Outlook to the Future, Streets IUF Only, Begin to Build Reserves in FY 2019/20						
Reserve goal in 5-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$1,095,000	\$1,122,000	\$1,150,000	\$1,179,000	\$1,209,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$26,750,000	\$24,596,000	\$65,706,000
Reserves	\$9,055,000	\$9,657,000	\$19,310,000	\$19,893,000	\$25,280,000	
Rate Increases	4.00%	4.00%	4.00%	4.00%	4.00%	Cumulative 21.67%
Typical Bill	\$43.49	\$45.24	\$47.12	\$49.05	\$51.03	<i>Cumulative (Monthly)</i>
Increase	\$1.72	\$1.76	\$1.88	\$1.93	\$1.98	\$9.26
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Scenario 4 – Urgent Minimum CIP with NO Future Planning and Design, No IUF, Begin to Build Reserves in FY 2019/20 and Sets up for Future Spikes in Rates to Meet Future Cost Increases

Urgent Minimum CIP with NO Future Planning and Design, No IUF, Begin to Build Reserves in FY 2019/20 and Sets up for Future Spikes in Rates to Meet Future Cost Increases						
Scenario 4						
Reserve goal in 5-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
Design for plant renewal not included in years 1 to 5						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$0	\$0	\$0	\$0	\$0	
CIP (Current Dollars)¹	\$4,018,000	\$4,052,000	\$8,940,000	\$29,634,000	\$22,116,000	\$68,760,000
Bond Proceeds Required	\$0	\$0	\$9,521,000	\$23,407,000	\$18,698,000	\$51,626,000
Reserves	\$8,437,000	\$10,681,000	\$18,303,000	\$21,505,000	\$22,266,000	
Rate Increases	3.00%	3.00%	3.00%	3.00%	3.00%	Cumulative 15.93%
Typical Bill	\$43.05	\$44.36	\$45.71	\$47.14	\$48.60	<i>Cumulative (Monthly)</i>
Increase	\$1.28	\$1.31	\$1.34	\$1.43	\$1.46	<i>\$6.83</i>

Notes:

(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.

(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.

Scenario 5 – CIP with an Outlook to the Future, Less Time to Reach Financial Policies, Ramp-up of IUF, Begin to Build Reserves in FY 2017-18

Scenario 5						
CIP with an Outlook to the Future, Less Time to Reach Financial Policies, No IUF in FY 2017/18, Streets IUF in FY 2018/19, Full IUF Starting FY 2019/20, Begin to Build Reserves in FY 2017/18						
Reserve goal in 3-years						
Debt coverage policy met in year 2						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,083,000	\$12,645,000	
Infrastructure Use Fee	\$0	\$1,122,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$13,483,000	\$34,177,000	\$26,660,000	\$83,890,000
Bond Proceeds Required	\$0	\$0	\$14,360,000	\$20,367,000	\$15,890,000	\$50,617,000
Reserves	\$11,824,000	\$14,782,000	\$26,897,000	\$24,394,000	\$25,055,000	
						Cumulative
Rate Increases	8.25%	7.00%	7.00%	5.00%	5.00%	36.64%
Typical Bill	\$45.27	\$48.51	\$51.97	\$54.60	\$57.38	<i>Cumulative (Monthly)</i>
Increase	\$3.50	\$3.24	\$3.46	\$2.62	\$2.79	<i>\$15.61</i>

Notes:

(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.

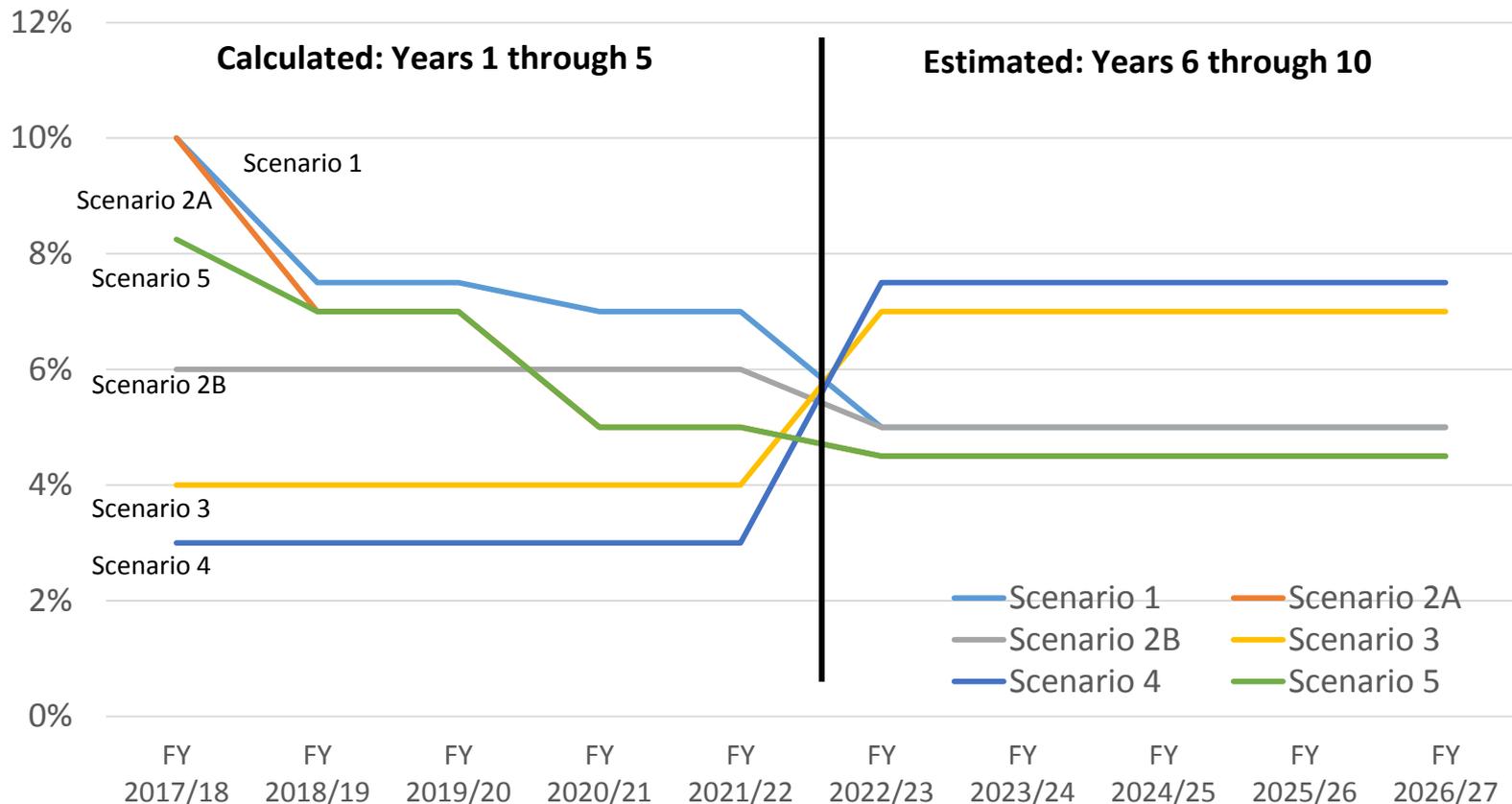
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.

Scenario Comparison – Original Scenarios Presented to Panel

	Current	Projected -->				
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Scenario 1	Enhanced Reliability CIP, Full IUF, Less time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18					
Percent Increase		10.00%	7.50%	7.50%	7.00%	7.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.42	\$53.09	\$56.77	\$60.78
Monthly Increase		\$4.22	\$3.43	\$3.67	\$3.68	\$4.01
Scenario 2A	CIP with an Outlook to the Future, Full IUF, Less Time to Reach Financial Policies, Begin to Build Reserves in FY 2017/18					
Percent Increase		10.00%	7.00%	7.00%	5.00%	5.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.26	\$52.75	\$55.40	\$58.22
Monthly Increase		\$4.22	\$3.27	\$3.49	\$2.65	\$2.82
Scenario 2B	CIP with an Outlook to the Future, Full IUF, Reserve Policy Met in 5 Years, Begin to Build Reserves in FY 2019/20					
Percent Increase		6.00%	6.00%	6.00%	6.00%	6.00%
Typical Monthly Bill	\$41.77	\$44.34	\$47.02	\$49.87	\$52.91	\$56.15
Monthly Increase		\$2.57	\$2.67	\$2.86	\$3.04	\$3.24
Scenario 3	CIP with an Outlook to the Future, Streets IUF Only, Begin to Build Reserves in FY 2019/20					
Percent Increase		4.00%	4.00%	4.00%	4.00%	4.00%
Typical Monthly Bill	\$41.77	\$43.49	\$45.24	\$47.12	\$49.05	\$51.03
Monthly Increase		\$1.72	\$1.76	\$1.88	\$1.93	\$1.98
Scenario 4	Urgent Minimum CIP with NO Future Planning and Design, No IUF, Begin to Build Reserves in FY 2019/20, Sets up for Future Spikes in Rates to Meet Future Cost Increases					
Percent Increase		3.00%	3.00%	3.00%	3.00%	3.00%
Typical Monthly Bill	\$41.77	\$43.05	\$44.36	\$45.71	\$47.14	\$48.60
Monthly Increase		\$1.28	\$1.31	\$1.34	\$1.43	\$1.46
Scenario 5	CIP with an Outlook to the Future, Less Time to Reach Financial Policies, No IUF in FY 2017/18, Streets IUF in FY 2018/19, Full IUF Starting FY 2019/20, Begin to Build Reserves in FY 2017/18					
Percent Increase		8.25%	7.00%	7.00%	5.00%	5.00%
Typical Monthly Bill	\$41.77	\$45.27	\$48.51	\$51.97	\$54.60	\$57.38
Monthly Increase		\$3.50	\$3.24	\$3.46	\$2.62	\$2.79

Scenario Comparison – Original Scenarios (Continued)

- Estimated year 6 to 10 rate increases for each of the tested scenarios



Scenario 2.2A – Updated from 2A, Design Costs delayed

Assumptions of Scenario 2A with the following updates:						
Scenario 2.2A	Change the last 5% increase to 6%. \$5 Million in Design costs moved out of years 1 to 5.					
No Cashflow Deficit in Year 1						
Reserve goal in 3-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,083,000	\$12,645,000	
Infrastructure Use Fee	\$2,112,000	\$2,164,000	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$20,757,000	\$13,403,000	\$46,745,000
Reserves	\$10,239,000	\$12,728,000	\$25,222,000	\$25,745,000	\$27,104,000	
Rate Increases	10.00%	7.00%	7.00%	6.00%	6.00%	Cumulative 41.51%
Typical Bill ²	\$45.99	\$49.26	\$52.75	\$55.98	\$59.34	<i>Cumulative (Monthly)</i>
Increase	\$4.22	\$3.27	\$3.49	\$3.23	\$3.36	<i>\$17.57</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Scenario 2.2B – Updated from 2B, Design Costs delayed

Assumptions of Scenario 2B with the following updates:						
Scenario 2.2B	Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.					
Reserve goal in 4-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$0	\$0	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$23,737,000	\$19,518,000	\$55,840,000
Reserves	\$10,526,000	\$13,050,000	\$22,670,000	\$22,583,000	\$25,815,000	
Rate Increases	5.25%	5.25%	5.25%	5.25%	5.25%	Cumulative 29.15%
Typical Bill	\$43.98	\$46.34	\$48.78	\$51.39	\$54.15	<i>Cumulative (Monthly)</i>
Increase	\$2.21	\$2.36	\$2.44	\$2.60	\$2.77	<i>\$12.38</i>
Notes:						
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.						
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.						

Scenario 2.3 – Updated from 3, Design Costs delayed

Scenario 2.3 Assumptions of Scenario 3 with the following updates:
 Begin to build reserves in 2017-18, rather than delayed to 2019-20. \$5 Million in Design costs moved out of years 1 to 5. IUF for streets only.

	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
Reserve goal in 3-years						
Debt coverage policy met in year 1						
Approx. 3% per year increase in O&M						
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$1,095,000	\$1,122,000	\$1,150,000	\$1,179,000	\$1,209,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$23,737,000	\$16,974,000	\$53,296,000
Reserves	\$9,808,000	\$12,019,000	\$23,486,000	\$24,854,000	\$26,587,000	
Rate Increases	6.50%	6.50%	5.00%	4.00%	4.00%	Cumulative 28.81%
Typical Bill	\$44.56	\$47.46	\$49.86	\$51.87	\$54.00	<i>Cumulative (Monthly)</i>
Increase	\$2.79	\$2.91	\$2.40	\$2.01	\$2.13	\$12.23

Notes:

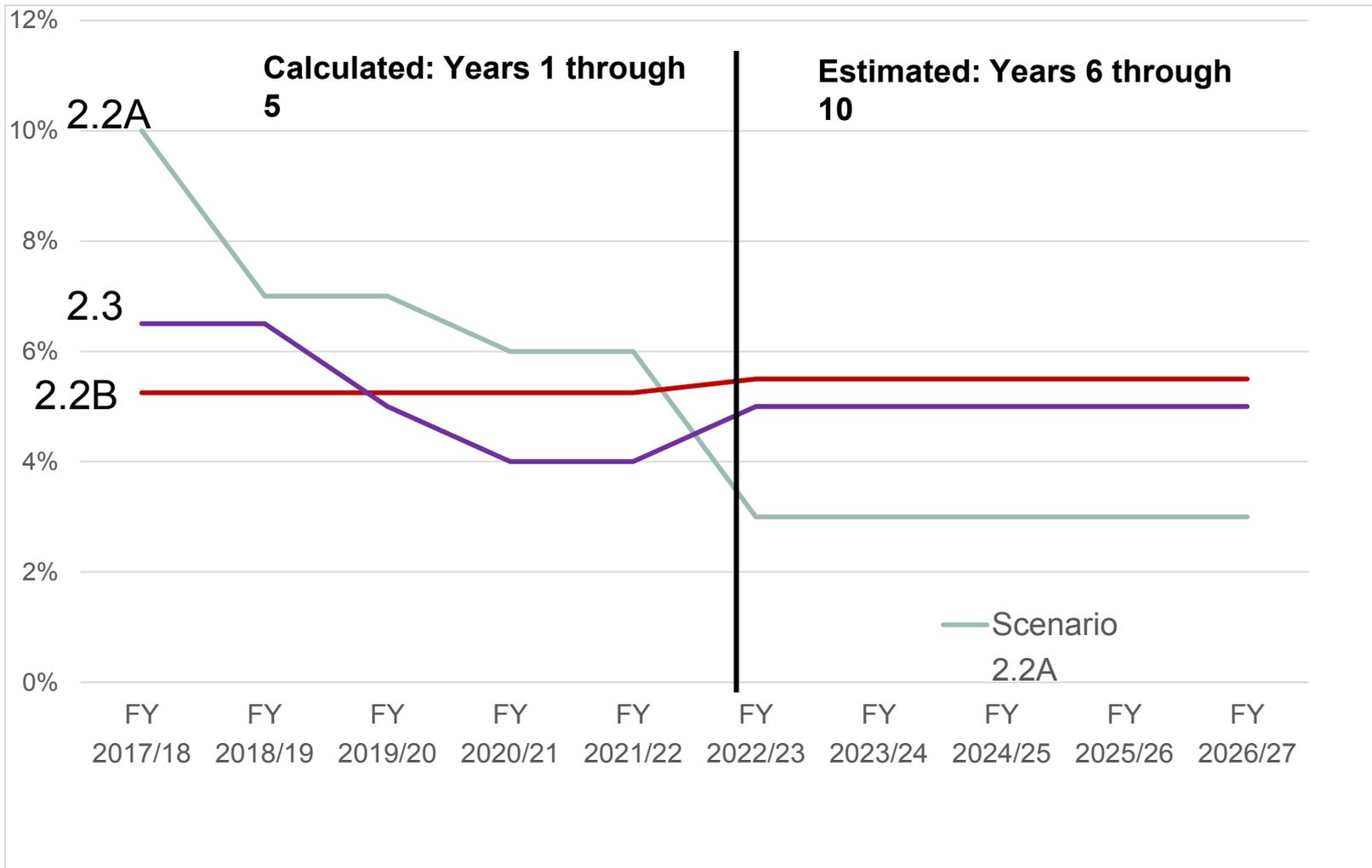
(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.

(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.

Scenario Comparison – Scenarios Requested by URAP

Current	Projected -->					
FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	
Assumptions of Scenario 2A with the following updates:						
Scenario 2.2A	Change the last 5% increase to 6%. \$5 Million in Design costs moved out of years 1 to 5.					
Percent Increase		10.00%	7.00%	7.00%	6.00%	6.00%
Typical Monthly Bill	\$41.77	\$45.99	\$49.26	\$52.75	\$55.98	\$59.34
Monthly Increase		\$4.22	\$3.27	\$3.49	\$3.23	\$3.36
Assumptions of Scenario 2B with the following updates:						
Scenario 2.2B	Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.					
Percent Increase		5.25%	5.25%	5.25%	5.25%	5.25%
Typical Monthly Bill	\$41.77	\$43.98	\$46.34	\$48.78	\$51.39	\$54.15
Monthly Increase		\$2.21	\$2.36	\$2.44	\$2.60	\$2.77
Assumptions of Scenario 3 with the following updates:						
Scenario 2.3	Begin to build reserves in 2017-18, rather than delayed to 2019-20. \$5 Million in Design costs moved out of years 1 to 5. Streets IUF Only.					
Percent Increase		6.50%	6.50%	5.00%	4.00%	4.00%
Typical Monthly Bill	\$41.77	\$44.56	\$47.46	\$49.86	\$51.87	\$54.00
Monthly Increase		\$2.79	\$2.91	\$2.40	\$2.01	\$2.13

Scenario Comparison – Estimated year 6-10 rate increases for each of the new scenarios



URAP Selected Scenario: Scenario 2.2B

By a vote of 4 in favor, 2 opposed, and 1 abstaining, the URAP recommended Scenario 2.2B:

Assumptions of Scenario 2B with the following updates:

Scenario 2.2B Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.

Reserve goal in 4-years

Debt coverage policy met in year 1

Approx. 3% per year increase in O&M

	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Five Year Total
O&M	\$19,535,000	\$19,638,000	\$20,126,000	\$20,627,000	\$21,141,000	
Debt Service	\$9,696,000	\$9,670,000	\$9,638,000	\$12,325,000	\$12,940,000	
Infrastructure Use Fee	\$0	\$0	\$2,218,000	\$2,274,000	\$2,331,000	
CIP (Current Dollars)¹	\$4,018,000	\$5,552,000	\$11,817,000	\$32,510,000	\$24,993,000	\$78,890,000
Bond Proceeds Required	\$0	\$0	\$12,585,000	\$23,737,000	\$19,518,000	\$55,840,000
Reserves	\$10,526,000	\$13,050,000	\$22,670,000	\$22,583,000	\$25,815,000	
Rate Increases	5.25%	5.25%	5.25%	5.25%	5.25%	Cumulative 29.15%
Typical Bill	\$43.98	\$46.34	\$48.78	\$51.39	\$54.15	<i>Cumulative (Monthly)</i>
Increase	\$2.21	\$2.36	\$2.44	\$2.60	\$2.77	<i>\$12.38</i>

Notes:

(1) Current dollar CIP costs are escalated at 3.2% per year in the financial model based on the long-term average of ENR-CCI.

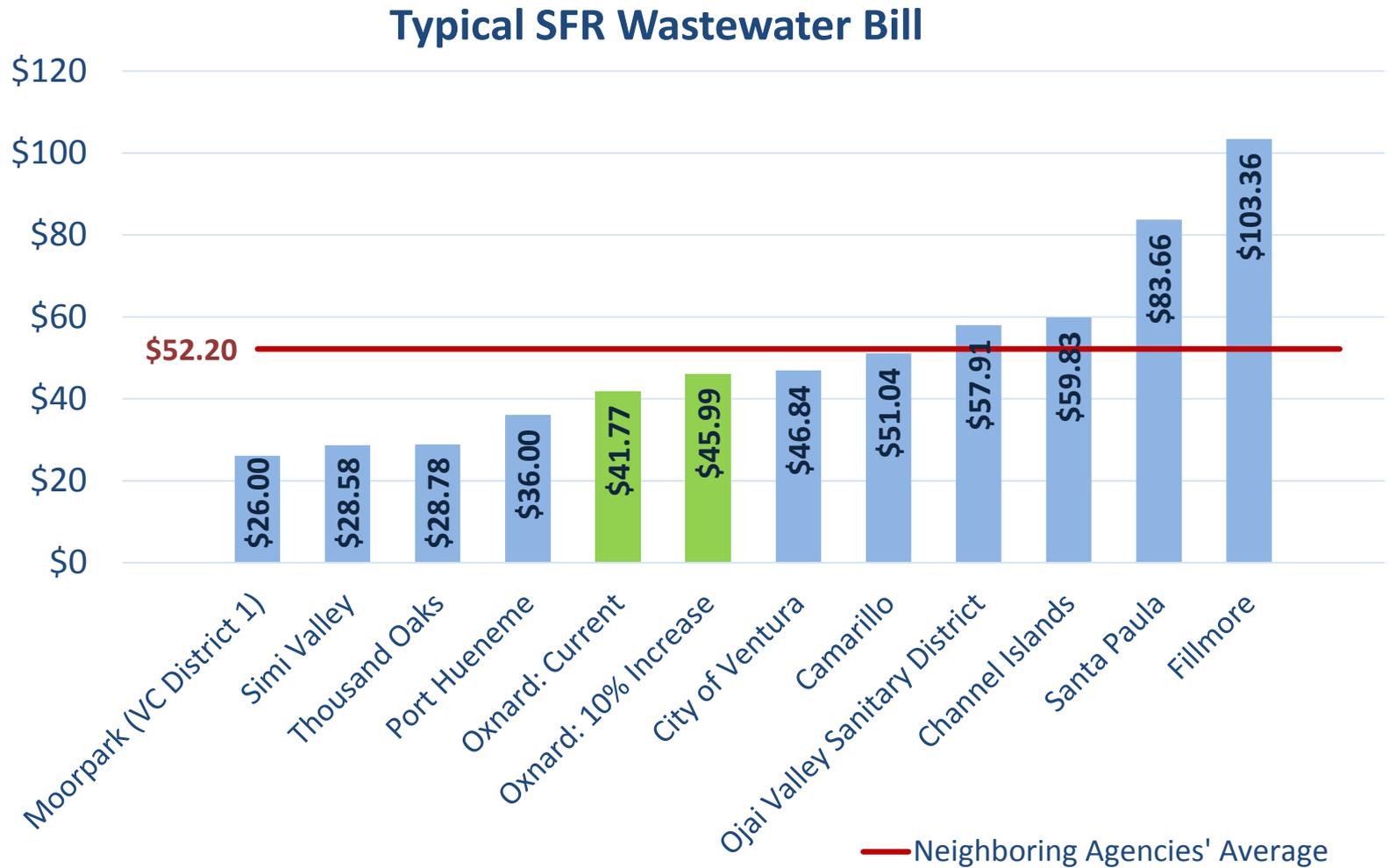
(2) Typical bill for a median SFR customer using 9 HCF (6,732 gallons) of water with an 80% return to sewer factor.

URAP Selected Scenario: Scenario 2.2B (Continued)

SCENARIO 2.2B: CIP with an Outlook to the Future, Suspend IUF for two years, Reserve Policy Met in 5 Years, Begin to Build Reserves in FY 2017-18
Updates from Scenario 2B: Suspend the IUF for 2 years. \$5 Million in Design costs moved out of years 1 to 5.

- This scenario has an initial lower rate increase of 5.25% compared to Scenarios 1, 2A, and 2.2A and continues to be at the same level for years FY 2018-19 through FY 2012-22.
- Suspension of the IUF in in FY 2017-18 and FY 2018-19 allows the buildup of reserves to begin in FY 2017-18.
- The capital improvement program allows for the City to take care of urgent capital improvements with a cost of \$78.890 million, but has to borrow more than Scenario 2A and 2.2A or \$55.840 million.
- Cash would have to build up in the first two years in order to allow the City to be able to borrow \$55.840 million to complete projects.
- The City is able to reach the City Council's adopted financial policies for reserves in four years The debt coverage policy is met in the first year of adoption of this scenario, which is the same time period as Scenario 2A.
- This scenario will allow the wastewater utility fund to improve its credit rating over time.

Neighboring Agencies' SFR Bill Comparison



Note: Typical bill based on a median Oxnard SFR customer water use of 9 HCF (6,732 gallons) with an 80% return to sewer factor.

City of Port Hueneme and Channel Islands Beach District Rates

- City of Port Hueneme and Channel Islands Beach District pay regional rates for wholesale wastewater treatment at the OWTP
 - Regional rates cover O&M of the OWTP
 - Capital is paid for through separate contributions based on each agency's capacity share of the OWTP
 - City of Port Hueneme does not utilize the collection system
 - Channel Islands Beach uses a portion of the trunk collection system and pays under a separate agreement
- Treatment costs are passed on to customers through their own rate structures
- Varying costs for each agency's local collection system, other operational costs, and specific rate structure differences contribute to the difference in SFR rates

Additional URAP Recommendations

The URAP also passed two motions for additional recommendations to the City Council:

- The panel moved to recommend that the City Council require that the Cost of Service Study list the planned repairs and capital improvement projects, along with their expected costs and completion dates, and that the City Council establish a policy that each utility shall make an annual report to the Council regarding all such repair capital improvement projects included in the most recent Cost of Service Study. The report shall itemize for each project the following:
 - Construction status
 - Original projected date of completion from the Cost of Service Study
 - Revised projected date of completion
 - Original projected costs from the Cost of Service Study
 - Costs incurred to date
 - Revised projected costs to completion
- This motion was carried by a vote of 5 in favor, 0 opposed, and 1 abstention.

Second Motion:

- The panel moved to recommend to the City Council that the City of Oxnard no longer charge an infrastructure use fee.

This motion carried, with 4 votes in favor and 3 opposed

Additional URAP Recommendations (Continued)

A URAP member also submitted the following 4 motions, which did not receive full URAP support:

- A motion to recommend that the City Council establish a policy requiring council approval of a business plan (including ROI and payback period calculations) prior to incurring costs for a new or revised project whose purpose includes generating new or increased revenue streams or reducing future expense.

This motion did not carry, with 3 votes in favor, and 4 opposed.

Motions that did not receive full URAP support:

A motion to recommend that the City Council eliminate its 1.25 debt coverage policy for utilities, once the reserves reach 50% of annual debt service costs and revert to those debt coverage requirements specified in the bond instruments.

This motion did not carry, with 1 vote in favor, and 6 opposed.

Additional URAP Recommendations (Continued)

Motions that did not receive full URAP support:

A motion to recommend that the Council ordinance establish a fixed set of wastewater rates with no CPI adjustments for operations and maintenance, except that rates may be increased or decreased based on changes to the cost of pass-throughs, which include only non-discretionary inputs not under the control or influence of the City, such as electricity, chemicals and landfill tipping fees, as opposed to labor and outside contractors.

This motion failed due to a lack of a second.

Additional URAP Recommendations (Continued)

Motions that did not receive full URAP support:

A motion to state that “it is the sense of the Oxnard Utility Ratepayers Advisory Panel that the timeframe given for making recommendations was unrealistically short and that better analysis could have been performed by the panel if needed information, even only if in draft form, was available to the panel at an earlier date.”

This motion did not carry, with 3 votes in favor, and 4 against.

Questions?

MEMO



March 2, 2017

TO: Utilities Task Force

FROM: Ruth Osuna, Assistant City Manager
Omar Castro, Water Division Manager

SUBJECT: Water Meters

This memorandum is to provide information to the Utilities Task Force and the City Council regarding water meter operations and a reported high number of “estimated reads.” Estimated reads are those meters that are not able to be read or processed by utility billing on time.

System Overview

The City Water Utility has 42,138 water meters in its system. Of the 42,138 meters in the City’s current water system, there are 4,316 meters that are being read manually due to failed meter transmitters (MXU devices that are part of the current AMR system, AMR is Automatic Meter Reading, which is a meter reading solution using radio transmitters to send a reading to a receiver.). These meters are operable and registering but are not designed to be manually read. The majority of the meter transmitters in the City’s water system are past their life and effective December 2017 will no longer be supported or manufactured by Sensus Meter Inc. Batteries used in the transmitters cannot be replaced since they are encased.

Of the 42,138 meters, it was estimated that 231 meters in the system are not working and in need of replacement. All meters that are reported as not registering activity are first tested in the field by running water and verifying the meter is showing activity. Based on these physical tests, 231 water meters are not registering activity or not working. Staff has replaced 133 these meters with older technology.

The Utility Billing division estimated that there are over 1000 meters not working, and, therefore, have assumed that revenue is not being collected. This is not correct. Despite a high number of meter reads that are not being processed on time, any estimated reads will create a bill based on historical usages at that meter location.

Planning

Staff has begun to identify options to address meter issues moving forward. It was discovered that many of the MXUs failed during their warranty period. These problems were not reported

during the warranty period. And, since the warranty period has long passed, the City is not able to receive full or pro-rated reimbursement or replacement of failed MXUs.

The Water Division has identified 3 possible options:

1. Replace the current water meter technology platform of Automatic Meter Reading (AMR) with the Automated Meter Infrastructure (AMI). AMI allows for 2-way communication, including diagnostics and other features such as remote service turn on/turn off. It also provides communication with individual meters in short time intervals and reduces City labor costs and liability. This would require a capital investment cost of approximately \$22 million.
2. As an alternative option, the City could replace the current AMR system with a new AMR system. This would update meter and radio technology, but would require issuance of a new RFP. It would not reduce labor needed and would only allow for one-way communication. It also does not allow for alarming or remote automation capabilities. The estimated cost for this system is \$17 million.
3. The third option would be to simply replace the 4,300 failed AMR transmitters with new technology. Staff would purchase dual vehicle units and operate a parallel system. However, this would require a multi-year sole source, multi-million dollar contract, and would not reduce the labor needed to read meters, or allow for upgraded communication capabilities. The estimated cost for this option is \$17 million.

City staff recommends option 1: that a complete new system be put into place with a computer system that could handle the entire system. Staff recognizes that this would be a very costly option which could run in the range of \$22 million. While this could be phased over a period of time, and since the majority of water meters in the current system still operate, it is also recognized that the Water Enterprise Fund is running a deficit.

Currently, the City does not have a contract to purchase new water meters. As an interim solution, staff has been working with the Purchasing Department to go out to bid for a new contract. With an approved contract in place, the City's Water Division will be able to replace broken meters and transmitters but not be able to fully implement a new system that would reduce staff costs and ensure reliability, as outlined above.

FINANCE DEPARTMENT

300 West Third Street
Oxnard, CA 93030
Phone (805) 385-7475
Fax (805) 385-7466



MEMORANDUM

DATE: February 28, 2017

TO: Utilities Task Force

FROM: Jim Throop, Chief Financial Officer
Licette Maldonado, Utilities Finance Officer LM

RE: Water Utility Enterprise Fund Fiscal Sustainability

The City's primary financial goal is fiscal sustainability for the City of Oxnard (City) Water Utility Enterprise Fund. To ensure that revenues from rates and fees are adequate to fund daily operation and maintenance, capital improvements, debt service and reserves. The funds generated by utility rates are used to provide safe drinking water for City residents and businesses. The current revenues from water are less than the overall costs to provide the services in the City and, therefore, staff is recommending the Utility Task Force start a new Prop 218 process to review water rates.

Information included in this memorandum includes the final statements from the Comprehensive Annual Financial Report (CAFR) for FY2015 and FY2016. When compared, the overall revenues have decreased by \$545,827. This is mainly due to the City's water conservation efforts. The operating expenses have increased by \$1,810,751 when compared to last fiscal year. These increases can be attributed by various components, but mainly are due to the increase for the cost of water and contractual services. These factors have caused the net position of the Water Enterprise to decrease by \$7,077,655 from the previous year.

As of June 30, 2016 the unrestricted amount of \$8,163,076 is available for ongoing expenditures. This is troublesome in the event of some catastrophic event where this could be depleted quickly. At the current rate of expenditures over revenues, City staff forecasts that if rates are not increased the Water Enterprise Fund will be completely depleted by the end of June 30, 2017.

CITY OF OXNARD, CALIFORNIA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2015 AND 2016

	June 30, 2015	June 30, 2016	Variance
OPERATING REVENUES			
Charges for services	\$ 46,795,267	\$ 45,677,222	\$ (1,118,045)
Connection fees	97,965	104,004	6,039
Miscellaneous and reimbursements	1,155,148	1,721,327	566,179
Total Operating Revenues	48,048,380	47,502,553	(545,827)
OPERATING EXPENSES			
Salaries and wages	5,350,365	4,647,588	(702,777)
Contractual services	3,672,218	5,114,938	1,442,720
Operating supplies	20,966,456	21,513,618	547,162
Utilities	872,757	993,772	121,015
Depreciation and amortization	6,088,457	7,046,028	957,571
General and administration	6,765,206	6,167,813	(597,393)
Repairs and maintenance	1,554,783	1,051,409	(503,374)
Total Operating Expenses	45,270,242	46,535,166	1,264,924
OPERATING INCOME (LOSS)	2,778,138	967,387	(1,810,751)
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	2,438,909	2,213,969	(224,940)
Interest expense	(10,399,251)	(10,259,011)	140,240
Net Nonoperating Revenues (Expense)	(7,960,342)	(8,045,042)	(84,700)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,182,204)	(7,077,655)	(1,895,451)
CAPITAL CONTRIBUTIONS	17,750,059	-	(17,750,059)
CHANGES IN NET POSITION	12,567,855	(7,077,655)	(19,645,510)
NET POSITION, JULY 1	155,538,492	122,035,285	(33,503,207)
PRIOR-PERIOD ADJUSTMENTS	(46,071,062)	(1,402,290)	44,668,772
NET POSITION, JUNE 30	122,035,285	113,555,340	(8,479,945)
NET POSITION			
Net investment in capital assets	73,078,816	72,539,844	(538,972)
Restricted for debt service	12,647,487	20,195,079	7,547,592
* Restricted for infrastructure development	15,535,804	12,657,341	(2,878,463)
Unrestricted	20,773,178	8,163,076	(12,610,102)
NET POSITION	122,035,285	113,555,340	(8,479,945)

* restated FY2015 to reflect correct Net Position restrictions

Agenda-D3
Water Financial Position
And tentative
Proposition 218 Schedule

Water Utility Fund for Year Ended June 30, 2015 & 2016

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NET POSITION	122,035,285	113,555,340	(8,479,945)
* restated FY2015 to reflect correct Net Position restrictions			

WATER PROPOSITION 218 PROCESS

2017

November 8, 2016
Measure M
approved

URAP Workshops?

April 4, 2017
City Council Meeting to
Approve Proposition
218 Notice

May 3, 2017
To
June 17, 2017
45 day Notice to
Ratepayers is
Mailed

June 20, 2017
Protest Hearing
and First
Reading of
Ordinance

June 27, 2017
Second Reading
of Ordinance

June 28, 2017
To
July 28, 2017
30 Day Waiting Period
and Notice to the
Ratepayers of New
Rates

August 1, 2017
New Rates
Implemented

WATER PROPOSITION 218 SCHEDULE

Proposed Water Proposition 218 Schedule:

Date	Topic
Wednesday, March 15	Possible URAP Meeting #1: Existing Situation of the Water Utility
Wednesday, March 22	Possible URAP Meeting #2: Future Needs of the Water Utility
Wednesday, March 29	Possible URAP Meeting #3: Water Rate Scenarios
Wednesday, April 5	Possible URAP Meeting #4: Water Rate Recommendations
Tuesday, April 18	City Council to approve Proposition 218 Notice and proceed
Tuesday, May 16	Proposition 218 Notice mailed
Wednesday, May 17	45 day notice period begins and ends on July 1, 2017
Tuesday, July 11	Protest Hearing and First Reading of Ordinance
Tuesday, July 18	Second Reading of Ordinance
Wednesday, July 19	30 day waiting period begins and ends on August 18, 2017
Friday, September 1	New Water Rates Implemented

Questions?



CITY OF

OXNARD

WASTEWATER DIVISION

JANUARY 2017

CALIFORNIA

MONTHLY REPORT



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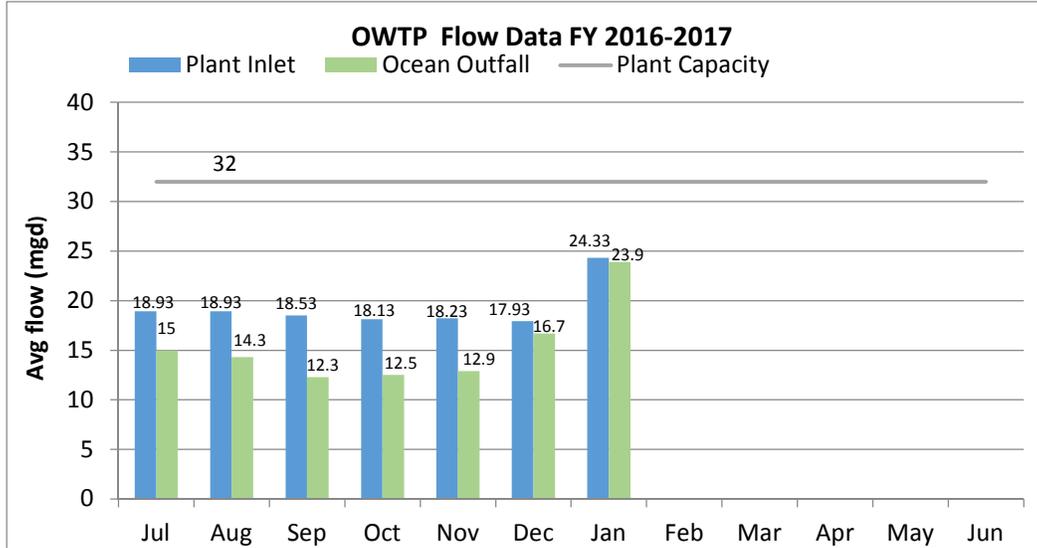
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Monthly Operations and Maintenance Report

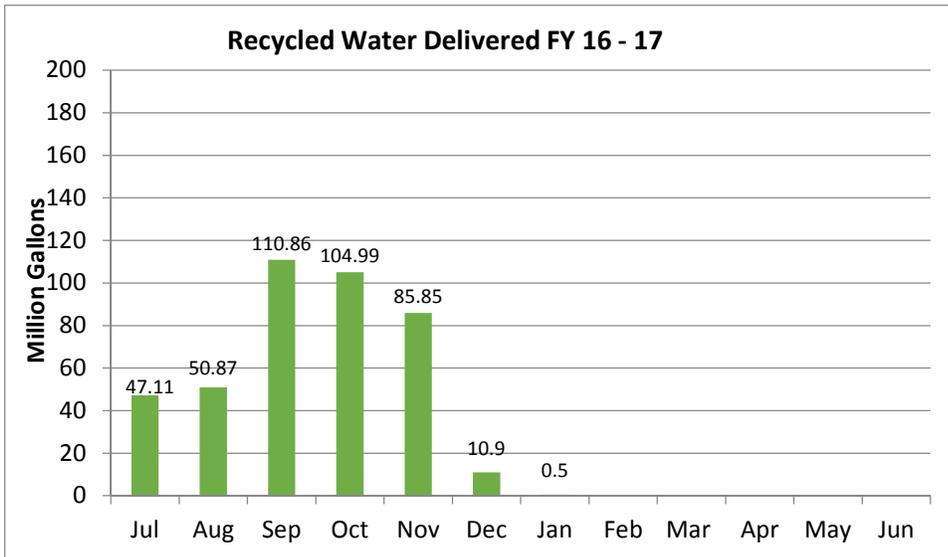
January 2017

Figure 1



Provide treated secondary effluent to Advanced Water Purification Facility (AWPF) for recycled water treatment. Plant inlet flow does not include plant process return flow.

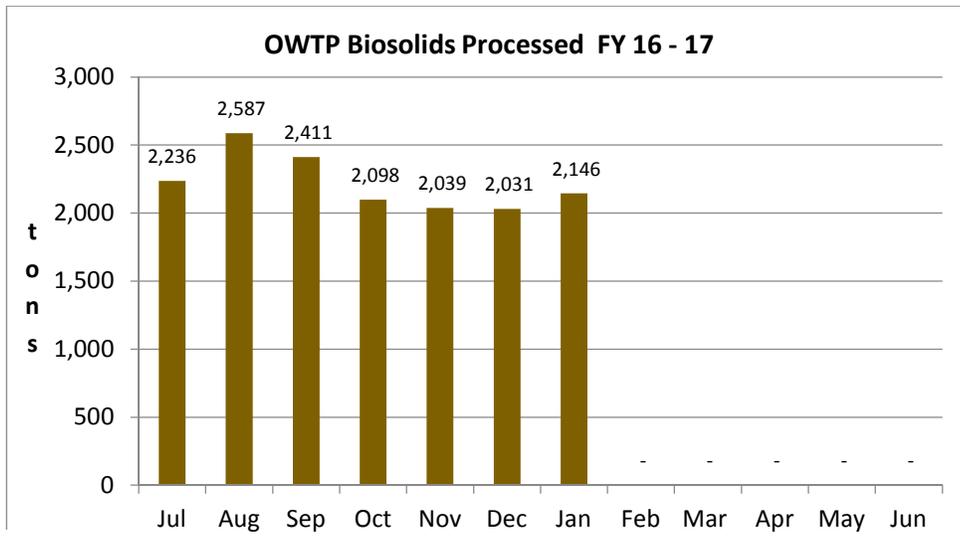
Figure 2



	Acre feet	Cum
7Jul	144.55	144.55
Aug	156.09	300.64
Sep	340.17	640.81
Oct	322.20	963.01
Nov	263.42	1226.43
Dec	33.45	1259.88
Jan	1.6	1261.48
Feb		
Mar		
Apr		
May		
Jun		

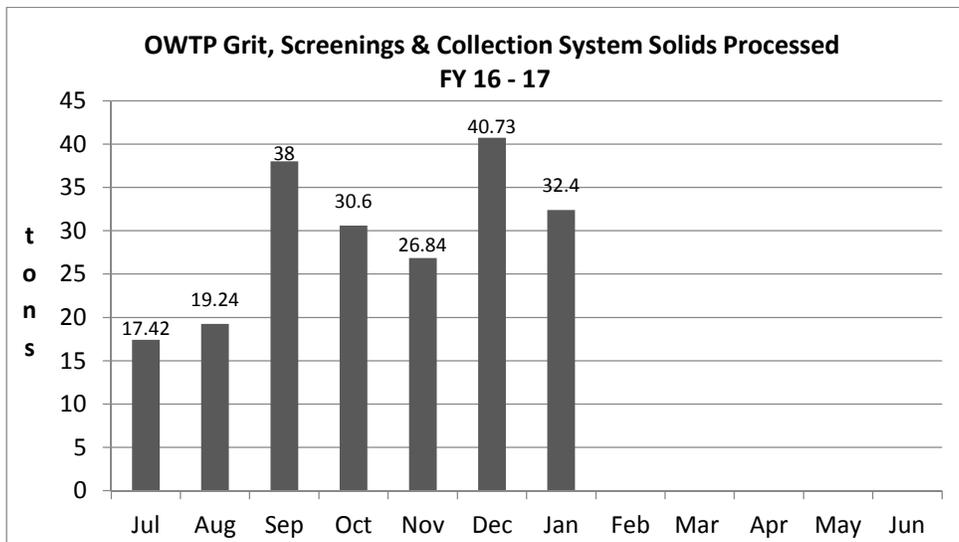
This graph illustrates monthly total volumes of recycled water delivered. Due to Southland Sod being our only customer and the recent wet weather events in January, the recycled water demand was less than October & November.

Figure 3



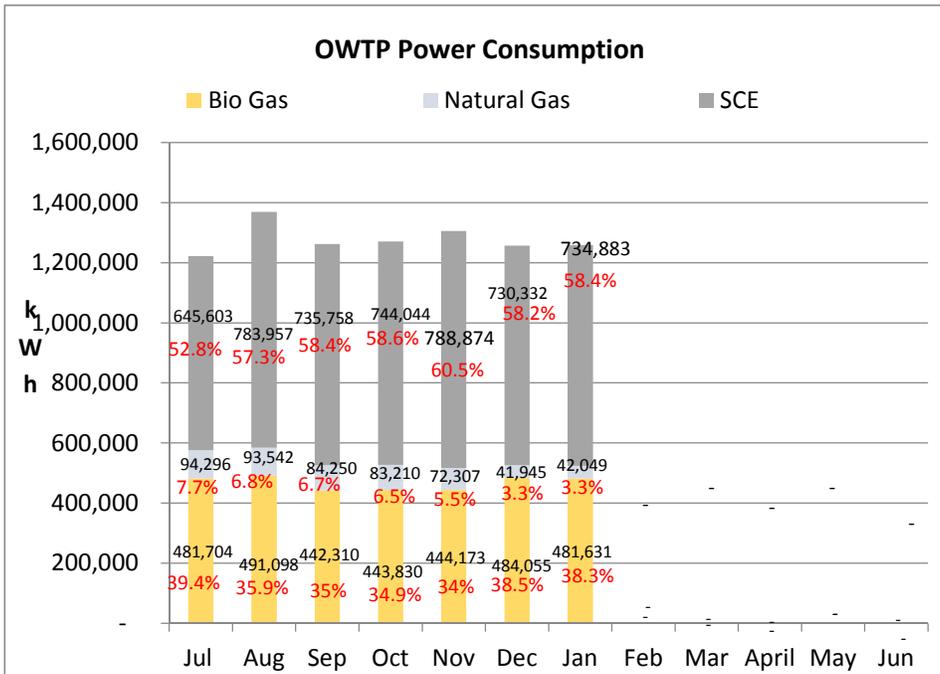
This graph illustrates monthly tonnage of biosolids processed.

Figure 4



This graph illustrates monthly tonnage of grit, screenings and Collection system solids processed.

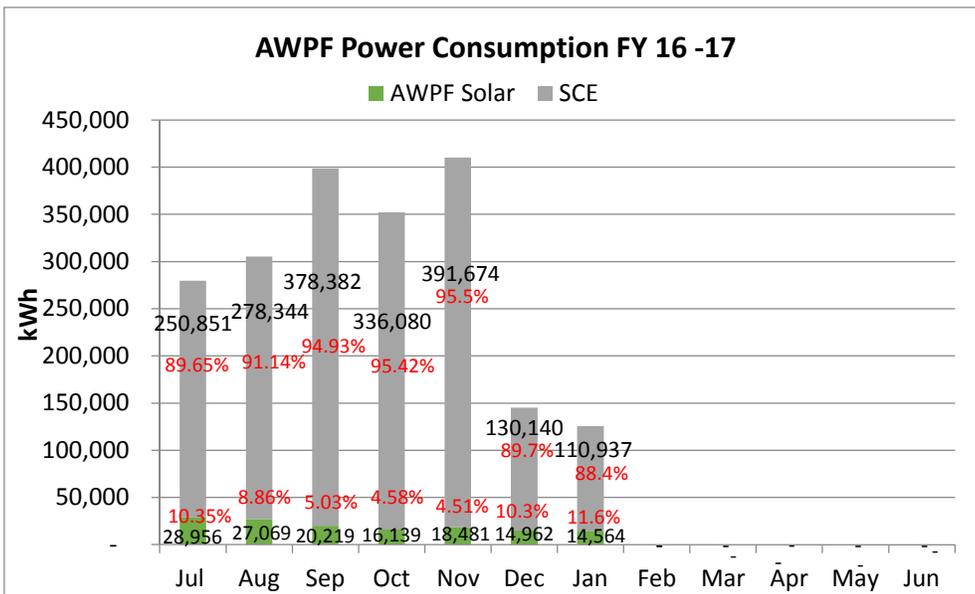
Figure 5



Month	kwh	Cum
Jul	1,221,603	1,221,603
Aug	1,368,597	2,590,200
Sep	1,260,925	3,851,125
Oct	1,271,084	5,122,209
Nov	1,305,354	6,427,563
Dec	1,256,332	7,684,185
Jan	1,258,563	8,942,748
Feb		
Mar		
Apr		
May		
Jun		

This graph illustrates monthly power consumption of electricity at OWTP. A blend of natural gas and bio gas from the digesters is used to produce electricity. The remainder of OWTP’s power consumption is purchased from Southern California Edison at a cost of \$56,292 for the month of January.

Figure 6



Month	kwh	Cum
Jul	279,804	279,804
Aug	305,413	585,217
Sep	398,601	983,818
Oct	352,219	1,336,037
Nov	410,155	1,746,192
Dec	145,102	1,891,294
Jan	125,501	2,016,798
Feb		
Mar		
Apr		
May		
Jun		

This graph illustrates monthly power consumption of electricity at the AWP. Solar panels at the AWP produce a small portion of electricity. Calculated Solar Power cost credit of \$1,116.00. The remainder of AWP’s power consumption is purchased from SCE at a cost of \$8,498.00 for the month of January.

1. REGULATORY COMPLIANCE REPORTING

OWTP

- No Regulatory compliance reports submitted for month of January

AWPF

- None

Collections

- Submitted certified “No-Spill Report” to the State Water Resources Control Board.

Stormwater

- None

2. OWTP OPERATIONS & MAINTENANCE

a. OPERATIONS

i. Flow Treatment Process

Headworks

1. Repaired Influent pump #2 for “low discharge pressure” alarm.
2. Repairing grit chamber sump pumps. The failure was due to underground wiring exposed to groundwater.

Secondary Treatment

1. Bio effluent flows averaged 45 to 48 MGD for prolonged periods during the heavy rains. Flow entering the activated sludge tanks (AST) had to be modified to avert a spill.
2. AST air blowers #2, 3 and 4 are currently inoperable due to mechanical failures. Only blowers #1 and 5 are operable.
3. Calibrated dissolved oxygen, mixed liquor suspended solids (MLSS), and returned activated sludge (RAS) probes.
4. Cleaned secondary sedimentation tank (SST) weirs.

Effluent Processing/Pumping

1. Cleaned chlorine contact tank (CCT).
2. CCT sample pump #9 failed. Currently operating sampling system without backup pump.
3. Cleaned blending station sample lines and blending tanks.

ii. Solids Treatment Processes

1. Existing electrical cables that provide power to supply out heating system (recirculation pumps & hot water recirculation pumps) to our digesters for biosolids treatment failed. Electrical repair completed digester on January 26, 2017.

2. Digester #3's heating hex was isolated and flushed. Replaced a leaky hex elbow and faulty valve in the heat pump room.
3. Repaired failed gas circulation blowers #3 and 4.
4. TWAS (Thickened Wasted Activated Sludge) pump #2 failed.

iii. Auxiliary Equipment and Lab

1. Remote terminal unit (RTU) 8 & 9 are not communicating with SCADA. This is a constant intermittent issue.
2. Repaired #3 plant entrance gate due to drive chain broke.
3. The Plant Control Center (PCC) roof has numerous leaks causing soaked acoustic tiles to fall as well as floor puddles that present slip hazards.

b. MAINTENANCE

i. Preventative Maintenance

1. Regularly scheduled preventative maintenance (i.e. check oil levels, belts, motors)
2. Conducted monthly generator testing on all units

ii. Non-scheduled repairs

1. Numerous SCADA / RTU issues resolved
2. Installed new sludge pump grinder at solids processing building
3. Resolved electronic issues with de-chlorination pumping
4. Repaired suction piping for Post Chlorination pump
5. Cleared floor drain in North Area office
6. Replaced hydraulic cylinder on belt press #1
7. Serviced fans on Bio-Towers #1 and #2
8. Replaced Current Transformer Block for Influent pump #2
9. Repaired Low Discharge pressure sensor on influent pump #2
10. Fabricated and installed sprayer head for bar screen #2
11. Lengthened slimmings turndown bars for Secondary Sedimentation tanks # 13 thru 16
12. Repaired micro switch for tagline on belt press #3
13. Trouble shot TWAS pump that was tripping out, was due to water in electrical vault
14. Repaired broken inlet muffler for compressor #2, welded and reinstalled
15. Serviced pump controls for solids processing building #2 sludge pump
16. Serviced hydraulic system for belt press #4
17. Serviced exhaust fans in effluent building
18. Trouble shot electrical problem with grit separator #3
19. Set up emergency generator power for failed underground wiring at digester control building
20. SAFETY REQUEST: Repaired catwalk grating between thickeners #1 & #2(Tripping Hazard)

iii. Vehicle Maintenance

1. 3528 oil & filter change, tire inspection and topped off all fluids (source control)
2. 3228 replaced front tires and replaced wiper blades
3. 3308 replaced front tires and wheel alignment , replaced wiper blades
4. 3309 replaced broken door handle assembly, wiper blades and topped off fluids
5. 9402 repaired faulty emergency strobe lights

6. 6037 oil & filter change, tire inspection, replaced wiper blades and topped off all fluids
7. 3668 oil & filter change, tire inspection, cleaned battery posts and topped off all fluids (source control)
8. 12401 trouble shot intermittently faulting joy stick, all wiring and connectors were fine, replaced joy stick
9. 3210 replaced worn front tires (Source control)
10. 3668 replaced worn front tires and wheel alignment (Source Control)
11. 3641 replace wiper blade and replaced broken tail light bulb

3. ADVANCED WATER PURIFICATION FACILITY (AWPF)

a. OPERATIONS

1. Set up sump pump to provide some recirculation in finish well.
2. Ran lift pumps to drain and purged RO wet well. AWPF online to fill finish well.
3. Ran lift pump to drain. Completed microfiltration (MF) cleaning on rack #2, #3, #4, #5 & #6.
4. Drain valve vaults after rain events.
5. Recalibrate liquid lime (LL) and FW pH probes, and to reset slope on each controller. Both probes readings are now close, had to set RWBS pressure set point to zero due to LOW-LOW pH readings which was false due to probe configuration.
6. Set MF caustic wash cycle set point to 3. Flushed MF caustic tank and drain neutralization tank.
7. Experienced liquid lime pump clogging issue.

b. WETLANDS

1. Department of Water Resources and United States Bureau of Reclamation (USBR) on site to collect wetland samples for research program.
2. Heavy rain through about 1 p.m. had to open drain valves in SFM inlet channel. Close down flow weirs in upper cells to keep lower cells from overflowing.

a. MAINTENANCE

- i. Preventative Maintenance
 1. Tested emergency generator
 2. Pumped all piping vaults after each rain event
- ii. Non-scheduled repairs
 1. Numerous SCADA issues resolved
 2. Serviced RO and MF valves
 3. Repaired AC units in RO electrical room and UV electrical room
 4. Unclogged and cleaned liquid line pumps for operators numerous times
 5. Installed frame for stop logs before parshall flume

4. WASTEWATER COLLECTIONS

Figure 7

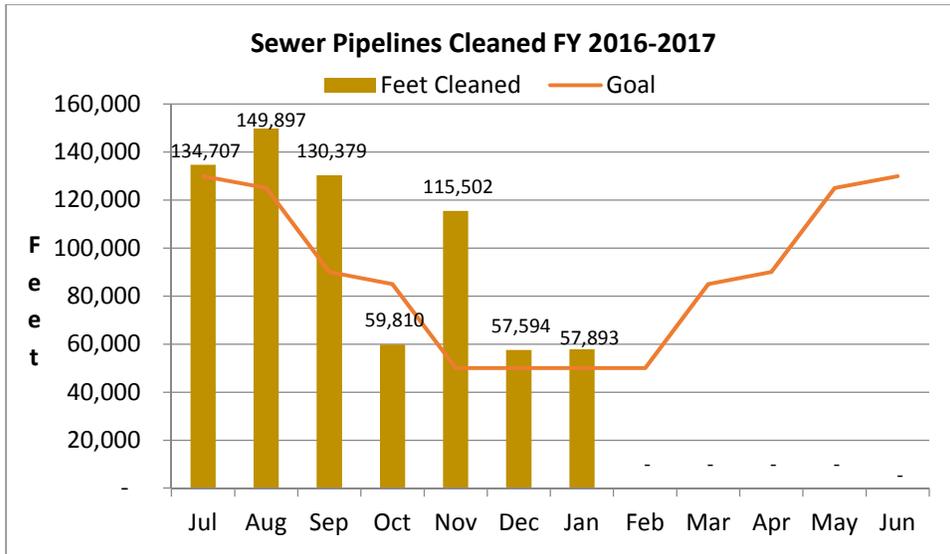
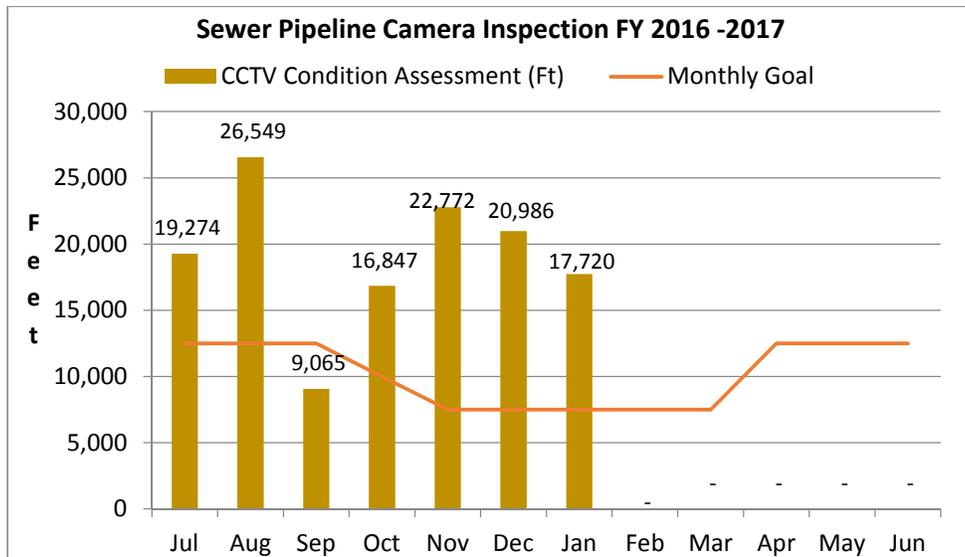


Chart illustrates the sewer pipelines cleaned monthly in the Wastewater Collection System for fiscal year 16-17.

Figure 8



This chart illustrates the sewer pipelines camera inspected and assessed by month in the wastewater collection system for fiscal year 16-17.

- a. WASTEWATER COLLECTION SYSTEM
 - i. Preventative Maintenance
 - 1. Cleaned 57,893 ft of sewer pipe.
 - 2. Camera inspected 17,720 ft of sewer pipe.

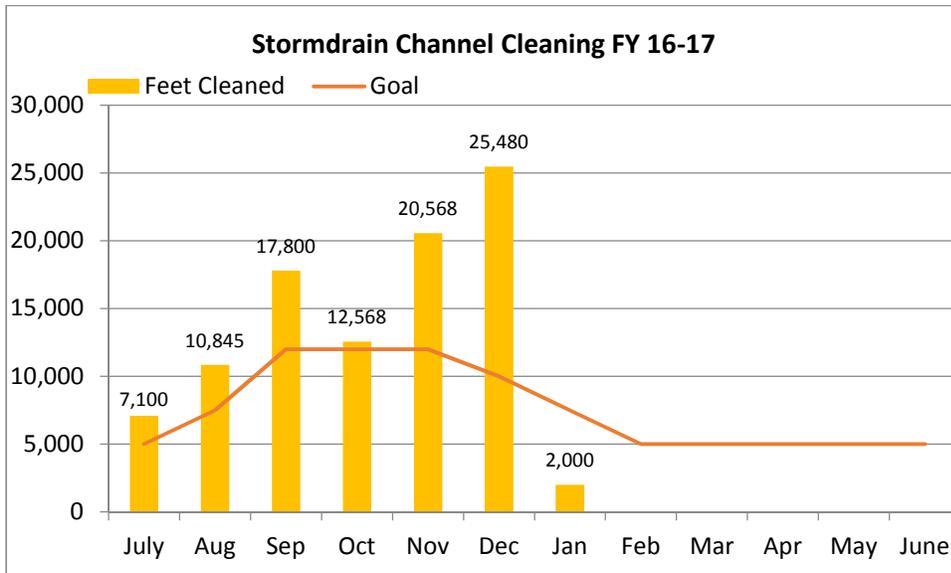
3. Applied magnesium hydroxide chemical addition at Lift Station No. 6 for odor control in the Via Marina neighborhood.
 4. Duke's Root Control performed Root Treatment of 3,395 ft of sewers in various areas throughout the City.
 5. Staff responded to (2) Private Sewer Lateral Discharges.
- ii. Non-Scheduled Repairs
1. Emergency repair of Central Trunk Sewer underneath Union Pacific Railroad near 5th St and Richmond Avenue

b. LIFT STATIONS

- i. Preventative Maintenance
1. Lift Station No. 6 chemical addition
 2. Cleaned nozzle on Vapex odor control unit at lift station # 29
 3. Blew out wet well level bubbler system all stations
 4. Conducted monthly Emergency Generator Testing
- ii. Non-Scheduled Repairs
1. lift station #23 replaced pressure switch for Lead pump start also High wet well level transmitter for SCADA
 2. lift station #9 serviced emergency generator
 3. lift station #27 replaced coupling for bubbler system also replaced low level wet well float
 4. lift station #7 cleaned wet well, replaced failed pump with rebuilt from stock, blew out bubbler system and cleaned check valves
 5. lift station #4 required electricians to wire both pump to come on at the same time to keep up with the extremely large quantity water flowing into the station due to ground water intrusion in the area

5. STORM WATER

Figure 9



This chart illustrates the storm drain channels cleaned in the Stormwater Collection System by month for fiscal year 2016-2017. In the month of January the City received 7.55" of rainfall, which is much higher than the typical average. The month of January consisted of 18 working days and we received rain on 10 out of the 18 working days. Due to the increase in rainfall crews were unable to reach the Storm Drain Channel Cleaning goal of 7,500 ft due to conditions being too wet and crews focused on other stormwater maintenance tasks that are outlined below.

a. PREVENTATIVE MAINTENANCE

1. Storm Drain Maintenance work included the following:

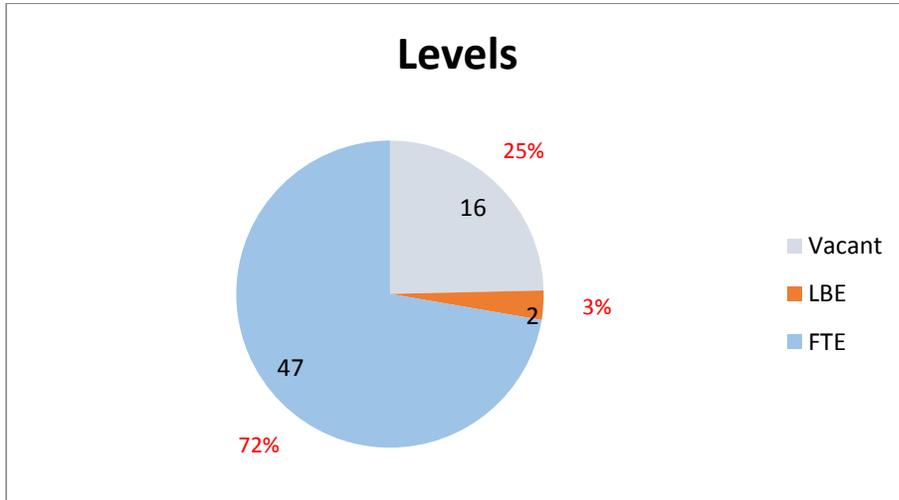
- Excavation of trenches for Beach Drains at Oxnard Shores – 326 hrs
- Rain Detail (catch basin cleaning, pump set-up & removal) – 373.5 hrs
- Removal of Fresh Creek Device – 14 hrs
- Wasteline Drain – 8.5 hrs

b. NON-SCHEDULED REPAIRS

1. None

6. STAFFING LEVELS

Figure 10



7. TRAINING

- a) Conduct Weekly tailgate sessions

8. CERTIFICATIONS/RENEWALS

Section	Certifications	Renewals
Maintenance	4	1
Operations	17	0
Collections	9	0
Lab	3	0

9. VISITORS

a. Air Pollution Control Dist.	0
b. Southern Ca. Edison	0
c. Water Quality Control Board	0
d. Tours # of People	17
e. Business Appointments	40
Monthly total =	57



CITY OF
PUBLIC WORKS DEPARTMENT
WATER DIVISION
QUARTERLY REPORT
FEBRUARY 2017
CALIFORNIA



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Metering Services - Meter Reading

FIGURE 1

Overall Quarterly Work Orders				
December January February				
5051 6051 3585				
Amount of Work Orders Per Month				
Type Of Work Orders	December	January	February	Total Per Type of Work
Check for Leaks	165	258	170	593
Close & Locks	3	6	6	15
Closure List	185	348	201	734
Door hangers	3404	3632	2012	9048
Final Reads / Close & Lock	141	103	73	317
Initial Reads/Turn On	123	106	72	301
Initial/Final - Leave On	200	158	116	474
Mail Return Notices	42	45	19	106
Meter Reinstall	4	5	3	12
Meter Removals	2	10	8	20
Meter Removals	7	1	1	9
Re-reads/Verify Readings	560	1013	656	2229
Service Orders	31	73	84	188
Surveys	8	0	0	8
Turn Ons	176	293	164	633

Metering Services - Meter Repairs

FIGURE 2

QUARTERLY WORK ORDERS COMPLETED BY METER REPAIR WORKERS					
	Meter Repairs/Exchanges/Installs	Billing Dept. Work Orders	Hansen Work Orders		
	52	723	109		
December Weekly Work Orders	12/05 - 12/09	12/12 - 12/15	12/19 - 12/23	12/27-12/29	TOTAL
Meter Repairs/Exchanges/Installs	14	1	2	5	22
Billing Dept. Work Orders	74	77	63	20	234
Hansen Work Orders	17	17	8	5	47
January Weekly Work Orders	1/03 - 1/06	1/9 - 1/12	1/15 - 1/20	1/23 - 1/26	TOTAL
Meter Repairs/Exchanges/Installs	1	4	7	10	22
Billing Dept. Work Orders	59	56	84	122	321
Hansen Work Orders	11	3	15	13	42
February Weekly Work Orders	1/30-2/03	2/06-2/09	2/13-2/17	TOTAL	
Meter Repairs/Exchanges/Installs	8	11	8	27	
Billing Dept. Work Orders	168	62	101	331	
Hansen Work Orders	20	5	10	35	

➤ **Work Order Descriptions**

- **Hansen Work Orders** are Work Orders generated by the Public Works Call Center. Similar type of work orders requested in HTE.
- **Meter Repairs/Exchanges/Installs** are work orders completed as a result of meter exchanges, new home installs (tapping cards), repairs to meter registers, or repairs to meter AMR electronics. Currently we have 145 new homes and businesses that will be built and require a new meter.
- **Billing Dept. Work Orders** are all HTE generated work orders from the City Treasure’s Utility Billing Department as a result of resident’s request usually requesting a check for leaks, leaky meters, surveys, high pressure, high utility bills, fire hydrant, meter installs, broken curb stops or turn off/on for repairs.

Water Distribution Services - Operations & Maintenance

FIGURE 3

	Overall Quarterly Work Orders			
	December	January	February	
	286	287	217	
	Amount of Work Orders Per Month			
Type Of Work Orders	December	January	February	Total Per Type of Work
Fire Hydrant Repairs	6	6	13	25
Fire Hydrant Maintenance	0	1	2	3
Fire Hydrant Flow Test	1	0	1	2
Investigate Leaks	18	18	6	42
Service Line Breaks	4	4	9	17
Service Relocation	0	0	0	0
Service Line Turn-on	22	22	14	58
Service Line Turn-off	4	4	3	11
Service Installation	0	0	1	1
Meter Box Replacement	0	0	1	1
Meter Replacement Program	0	0	87	87
Curb Stop Repairs	8	8	2	18
Saw Cut	0	1	8	9
Water Main Repairs	1	1	1	3
Valves Repaired/Replace	1	0	0	1
Valve Exercising	0	0	0	0
Valve Box Replacement	0	2	0	2
Shut-Downs	2	2	1	5
Dead-end Flushing	2	0	0	2
Fire Hydrant/System Flushing	0	0	0	0
A/V Maintenance	0	2	2	4
Patch Dig-outs	2	0	0	2
USA's	0	212	59	271
311	212	1	2	215
Recycled Water	1	2	4	7
Cement Work	2	1	1	4

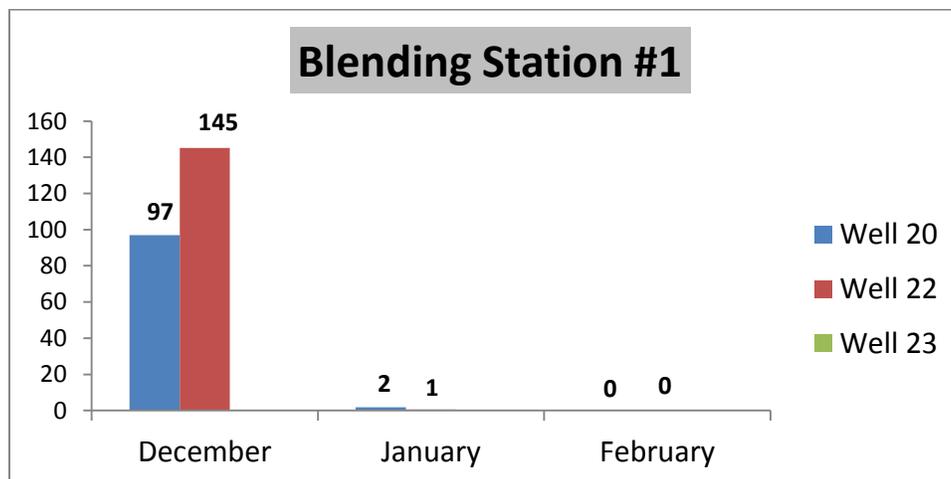
Water Treatment - Operations & Maintenance

FIGURE 4

Quarterly Chemical Usages in Pounds (LBS)			
	December	January	February
Overall Usage	20759.82	20385.31	13390.23
Total Chemical Usage Per Month			
Type Of Chemical	December	January	February
Sodium Hypochlorite	4318.60	2642.14	1890.68
Blending Station 1	3159.46	1309.17	817.92
Desalter Station 1	669.14	872.89	657.57
Blending Station 3	490.00	460.08	415.19
Aqua Ammonia	777.43	477.06	279.75
Blending Station 1	612.52	326.87	148.71
Blending Station 3	164.91	150.19	131.04
Sodium Hydroxide			
Desalter Station 1	13625.90	14752.71	9725.35
Antiscalant			
Desalter Station 1	2037.89	2513.40	1494.45

This table illustrates the City of Oxnard’s production and usage compiled from Blending Station No. 1 in Acre Feet (AF) for the months of December 2016, January and up to February 21, 2017.

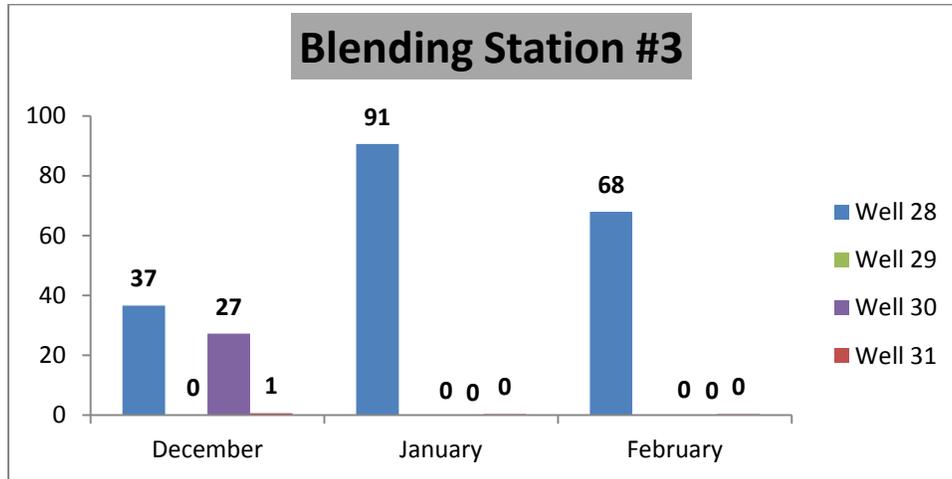
FIGURE 5



Water Treatment - Operations & Maintenance

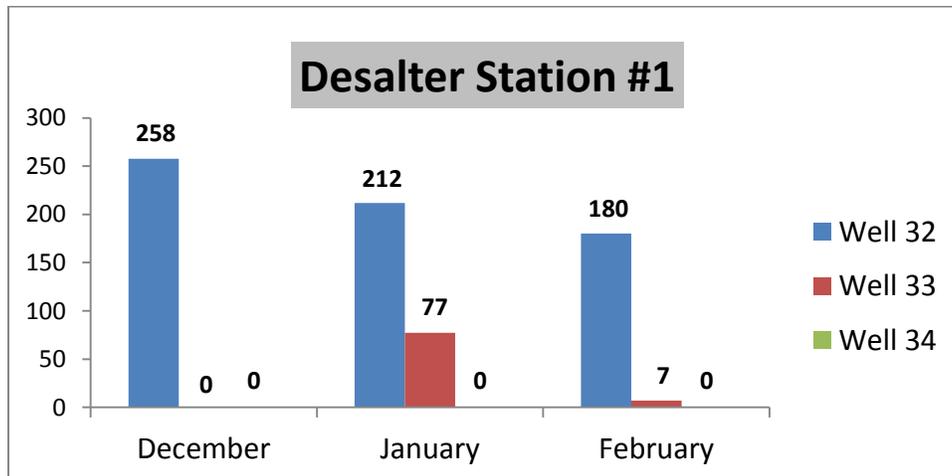
This table illustrates the City of Oxnard’s production and usage compiled from Blending Station No. 3 in Acre Feet (AF) for the months of December 2016, January and up to February 21, 2017.

FIGURE 6



This table illustrates the City of Oxnard’s production and usage compiled from Desalter Station No. 1 in Acre Feet (AF) for the months of December 2016, January and up to February 21, 2017.

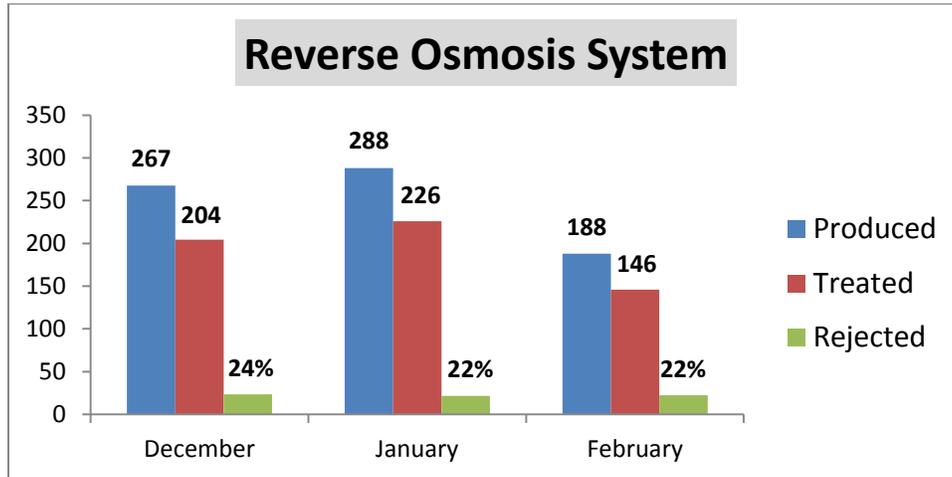
FIGURE 7



Water Treatment - Operations & Maintenance

This table illustrates the City of Oxnard’s water production in Desalter Reverse Osmosis System and the amount rejected, permeated and rejected for the months of December 2016, January and up to February 21, 2017.

FIGURE 8



This table illustrates the City of Oxnard’s Water Usage from each of our sources Calleguas Municipal Water District (CMWD), United Water Conservation District (United), City of Oxnard Wells (Wells), and Permeate Water for the months of December 2016, January and up to February 21, 2017.

FIGURE 9

