



Meeting Date: 09/18/07

| ACTION   | TYPE OF ITEM  |
|--|---|
| <input type="checkbox"/> Approved Recommendation | <input type="checkbox"/> Info/Consent                             |
| <input type="checkbox"/> Ord. No(s). _____       | <input type="checkbox"/> Report                                   |
| <input type="checkbox"/> Res. No(s). _____       | <input checked="" type="checkbox"/> Public Hearing (Info/consent) |
| <input type="checkbox"/> Other _____             | <input type="checkbox"/> Other _____                              |

Prepared By: Anthony Emmert

Agenda Item No. K-2

Reviewed By: City Manager [Signature]

Gillig  
City Attorney

Finance [Signature]

Ortega  
Public Works

**DATE:** September 10, 2007

**TO:** City Council

**FROM:** Mark Norris, Assistant Public Works Director/Utilities Services Manager  
Public Works Department, Utilities Services Branch

**SUBJECT: Ocean View Municipal Water District Dissolution**

**RECOMMENDATION**

That City Council:

- 1) Adopt a resolution requesting the Ventura County Local Agency Formation Commission (LAFCO) to initiate proceedings to dissolve the Ocean View Municipal Water District (Ocean View).
- 2) Approve the first reading by title only and subsequent adoption of an uncodified ordinance establishing water rates for the Ocean View service area.
- 3) Authorize the City Manager to write-off Ocean View's current outstanding accounts receivable of \$1,087,406.96 to the City as a bad debt and not collectable.

**DISCUSSION**

The Ocean View Municipal Water District (OVMWD) is partly within and immediately adjacent to the southern portion of the City of Oxnard. OVMWD owns no water distribution facilities, as its distribution pipelines, service lines, and meters in Hueneme Road are owned by the City. The OVMWD system currently provides a majority of its water to agricultural irrigators and a much smaller amount to potable water customers. OVMWD receives potable-quality water from the United Water Conservation District's (UWCD) Oxnard-Hueneme Pipeline System (O-H Pipeline) via the City, pursuant to the Oxnard-Hueneme Water Supply Agreement (Agreement) with UWCD. As the majority of the OVMWD service area is outside the boundary of the Calleguas Municipal Water District and the Metropolitan Water District of Southern California, the City cannot deliver blended potable water to OVMWD system.

Over the past two decades, OVMWD's total customer water use has declined significantly, due to the increasing cost of the potable-quality water from UWCD's O-H System. A significant number of the

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agricultural irrigators within the OVMWD service area have constructed private irrigation wells and either cut-back or eliminated their purchases of the more expensive OVMWD water. The use of private groundwater wells in the southeastern Oxnard Plain contributes to seawater intrusion into the groundwater aquifers. The Fox Canyon Groundwater Management Agency's (FCGMA) recently-adopted Groundwater Management Plan identifies this groundwater pumping along the coast as a significant problem, and encourages the use of alternative water sources.

Ultimately, the increased cost of water and the loss of its customer base have made it financially impossible for OVMWD to continue to operate. The agreement with UWCD for water from the O-H Pipeline contains a fixed capacity reservation charge from UWCD. OVMWD must also pay for overhead charges from the City. OVMWD must pay the fixed charge, whether it uses water or not. The shrinking customer base means OVMWD had fewer customers over which to spread this fixed charge, necessitating further rate increases to its customers. Further rate increases have led to even more agricultural irrigators reducing their purchases.

For the past several months, the OVMWD has only been able to make partial payments to the City on its monthly water bills. The current OVMWD outstanding accounts receivable balance is \$1,087,406.96. Although the OVMWD has fallen significantly behind on its water bill payments to the City, during the same period the City has benefited by being able to use any water from the UWCD O-H System that was earmarked for OVMWD but was unused. This benefit has been significant, due to cutbacks on other water sources for the City. The OVMWD has no physical assets and has no substantial cash. A recent review of the OVMWD by the Local Agency Formation Commission (LAFCO) has led to a recommendation that the OVMWD dissolve. At its June 2007 meeting, the OVMWD Board of Directors resolved to dissolve the OVMWD, pending approval by the City Council and LAFCO.

The FCGMA's Groundwater Management Plan, UWCD's Master Plan, and the City's Groundwater Recovery Enhancement and Treatment (GREAT) Program have recognized the southeastern Oxnard Plain Groundwater Basin and the Pleasant Valley Groundwater Basin as needing significant changes in practices, in order to reduce overpumping and repel seawater intrusion. Proposed solutions include significant cutbacks in groundwater pumping by agricultural irrigators and providing alternative water sources, including diverted surface water from the Santa Clara River or recycled water. At present, additional surface water does not appear feasible, due to endangered species constraints on the Santa Clara River. The City's GREAT Program's Advanced Water Purification Facility, which will be sited on Perkins Road south of Hueneme Road, is scheduled to produce a high-quality recycled water produce that will be suitable to irrigate all types of agricultural crops by 2010, in a quantity that could meet the entire irrigation demand of the OVMWD service area.

The recycled water will also be suitable for direct injection into the Lower Aquifer System, in order to prevent seawater intrusion. UWCD's Master Plan calls for the OVMWD's partnership in this effort. The FCGMA is also exploring ways that it can support the effort. The City assuming responsibility for the OVMWD service area will put the City in a favorable position to communicate with and negotiate with the agricultural irrigators regarding the use of the high-quality recycled water, over the next few years.

The proposed rates for the OVMWD service area include user fees and charges for the small number of domestic customers that mirrors the City's current rate structure for similar customers, as well as an

agricultural irrigation rate that is approximately 24% lower than the current OVMWD rate. If approved, the City will provide management, operations and maintenance functions for the system. If approved, the City will also move forward with a project to upgrade the flow meters within the service area, in order to accurately measure customers' usage. The proposed rates will cover the City's cost of providing these services and upgrades. The adopted rates will only go into effect after both City Council and LAFCO approval.

The dissolution of OVMWD and the City's assumption of water service will not require the construction of any additional facilities, and therefore will have no potential impact on the environment. The adoption of water rates is exempt from California Environmental Quality Act review.

If the City Council approves the City's assumption of water service in the OVMWD service area, the next step in the process will be consideration by LAFCO. LAFCO staff has participated in discussions with City staff and OVMWD counsel regarding the process, and expects LAFCO Board's approval before the end of 2007.

### **FINANCIAL IMPACT**

The proposed rates for water service within the OVMWD service area will cover the cost of the City's services. With approval, the current outstanding accounts receivable balance of \$1,087,406.96 and any subsequent billings between now and the time LAFCO approves the dissolution will be written-off, as uncollectible debt, with a corresponding reduction to the Water Fund 601 fund balance.

(TS:ts)

Attachment #1 – Resolution Requesting Dissolution of the Ocean View Municipal Water District  
#2 - Uncodified Ordinance Ocean View Service Area Water Service

CITY COUNCIL OF THE CITY OF OXNARD

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OXNARD REQUESTING THE VENTURA COUNTY LOCAL AGENCY FORMATION COMMISSION TO INITIATE PROCEEDINGS TO DISSOLVE THE OCEAN VIEW MUNICIPAL WATER DISTRICT AND SEEK AUTHORIZATION FOR THE CITY OF OXNARD TO PROVIDE ONGOING WATER SERVICE TO THE AREA FORMERLY SERVED BY THE OCEAN VIEW MUNICIPAL WATER DISTRICT

WHEREAS, the City of Oxnard (“City”) is a general law city in Ventura County (“County”), California; and

WHEREAS, the Ocean View Municipal Water District (“District”) is a municipal water district as set forth in Sections 71000 et seq. of the Water Code; and

WHEREAS, the District currently provides water service to approximately 35 customers (“Customers”) along Hueneme Road that are located within and immediately adjacent to the City’s southern boundary; and

WHEREAS, over 98% of the water served to the Customers is used for agricultural irrigation with the remainder used for incidental domestic purposes associated with those agricultural uses; and

WHEREAS, the water served to the Customers is potable quality water obtained from the Oxnard/Hueneme Pipeline (“O/H Pipeline”), which the City purchases from the United Water Conservation District (“United”); and

WHEREAS, the District obtains its water through City owned facilities, including the Ocean View pipeline; and

WHEREAS, the District owns no assets; no water distribution or treatment facilities, no building or other infrastructure, and does not hold a public water system operators permit from the Department of Health Services; and

WHEREAS, the Ventura County Local Agency Formation Commission’s (“LAFCO”) most recent (2002) Municipal Services Review recommended that the District be dissolved, with the City the probable substitute water provider; and

WHEREAS, the City possesses adequate water supplies to meet the Customers’ demands; and

WHEREAS, the City is presently planning and constructing facilities to produce highly purified recycled water as part of its Groundwater Recovery Enhancement and Treatment Program, which may add an additional reliable and cost-effective water supply to serve certain agricultural uses with the District; and

WHEREAS, because the City possesses adequate water supplies and because the City owns all facilities currently used to convey water to the Customers, the Customers will continue to receive a reliable water supply following District dissolution; and

WHEREAS, dissolving the District and substituting City water service to the Customers will further the objectives of the Save Our Agricultural Resources initiative adopted by the County voters because the dissolution will result in more dependable water supplies for agricultural uses; and

WHEREAS, the City anticipates that the District Board of Directors will unanimously concur in the City's request to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the Government Code, for the dissolution of the District; and

WHEREAS, notice of intent to adopt this resolution of application has been provided, and this City Council has conducted a public hearing based upon this notification; and

WHEREAS, dissolving the District and substituting City water service to the Customers is consistent with the adopted spheres of influence for all of the agencies which would be affected by the proposed reorganization; and

WHEREAS, Section 15061, paragraph (b)(3), of the California Environmental Quality Act ("CEQA") Guidelines provides that a project is exempt from CEQA if "the activity is covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect to the environment;" and

WHEREAS, dissolving the District and substituting City water service to the Customers will not require: (a) the construction of any new facilities, (b) alteration of the City municipal boundaries, sphere of influence, or 2020 General Plan, (c) cause any land use changes or affect any specific plan; or (d) otherwise cause any change to the physical environment; and

WHEREAS, for the above reasons, dissolving the District and substituting City water service to the Customers is exempt from CEQA because the dissolution will not cause any effect to the environment; and

WHEREAS, this action is statutorily exempt from CEQA under the "ongoing project" exemption (CEQA Guidelines section 15261) because the District water supply facilities have been in operation since before November 23, 1970, the District water supply facilities have been in service for almost 60 years; the United O-H pipeline has been in operation since 1954 and the Ocean View pipeline since 1961; and

WHEREAS, the City Council's adoption of a rate ordinance applicable to District customers is also statutorily exempt from CEQA (CEQA Guidelines section 15273); and

WHEREAS, the only substantive result of dissolving the District and substituting City water service to the Customers would be to reduce administrative costs of providing a water supply to the Customers.

NOW, THEREFORE, the City Council of the City of Oxnard hereby resolves as follows:

1. The recitals set forth above are true and correct and are incorporated herein by this reference as though set forth in full.
2. The Public Works Director is directed to submit a complete application to LAFCO to dissolve the District; obtain authorization from LAFCO to substitute water service to the Customers; provide to LAFCO an Agreement for Payment of LAFCO Fees, at an amount not to exceed \$15,000, and provide to LAFCO an Indemnification Agreement.
3. The Public Works Director is directed to take all necessary actions associated with the dissolution of the District under CEQA, with the City functioning as the lead agency, including but not limited to, promptly filing a Notice of Exemption with the County Clerk declaring that the adoption of this resolution and the prospective dissolution of the District and substitution of City water service to the Customers is exempt from CEQA.

PASSED AND ADOPTED THIS \_\_\_\_ day of \_\_\_\_\_, 2007 by the following vote:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Dr. Thomas E. Holden, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Daniel Martinez, City Clerk

 09-11-07  
\_\_\_\_\_  
Gary L. Gillig, City Attorney

CITY COUNCIL OF THE CITY OF OXNARD

UNCODIFIED ORDINANCE NO. \_\_\_\_

UNCODIFIED ORDINANCE ESTABLISHING FEES AND CHARGES FOR THE  
PROVISION OF WATER SERVICE TO THE FORMER OCEAN VIEW MUNICIPAL  
WATER DISTRICT SERVICE AREA

WHEREAS, the City of Oxnard (“City”) is a general law city in Ventura County (“County”), California; and

WHEREAS, the City operates a municipal water system providing retail potable water service to the local community; and

WHEREAS, the Ocean View Municipal Water District (“District”) is a municipal water district as set forth in Sections 71000 et seq. of the Water Code; and

WHEREAS, the District currently supplies water to customers within and adjacent to the City’s southern boundaries and sphere of influence (“Ocean View Service Area”); and

WHEREAS, concurrent with the adoption of this uncodified ordinance, the City Council intends to submit a request to initiate proceedings before the Ventura County Local Agency Formation Commission to dissolve the District and authorize the City to provide direct water service to the customers in the former Ocean View Service Area; and

WHEREAS, the City Council expects the District Board of Directors will unanimously support the request to dissolve the District and authorize the City to provide direct water service to the former Ocean View Service Area; and

WHEREAS, over 98% of the water served to the Ocean View Service Area is used for irrigation of agricultural lands; the remainder for incidental domestic uses associated with the agricultural uses; and

WHEREAS, the City is authorized to provide retail water service to areas outside its municipal boundaries (see Gov’t Code section 56133(e); *Hansen v. City of Buenaventura* (1986) 26 Cal.3d 154); and

WHEREAS, the City Water Resources Division is funded through and fully dependent upon revenues derived from providing retail water service to its customers; and

WHEREAS, the District obtains its sole water supply source through wholesale purchase of water from the City and the District owns no assets, has no employees or any personnel; and

WHEREAS, the water supplies sold to the District are derived from a portion of the City’s potable water supplies purchased from the United Water Conservation District (“United”) through the Oxnard/Hueneme Pipeline, pursuant to the “Water Supply Agreement for the Delivery of Water Through the Oxnard/Hueneme Pipeline” (“OH Agreement”), dated July 1, 1996, and as amended from time to time; and

WHEREAS, the City also purchases a portion of its potable water supplies from the Calleguas Municipal Water District (“Calleguas”) and the Metropolitan Water District of Southern California (“MWD”), and

WHEREAS, only those City water customers annexed into Calleguas and MWD service areas are eligible to receive Calleguas and MWD water supplies and most, if not all of the District lands are not currently annexed into the Calleguas and MWD service areas; and

WHEREAS, water users (former District customers) intended to receive water service pursuant to the provisions of this uncodified ordinance will not receive water originally purchased from Calleguas or MWD without first being annexed into the Calleguas and MWD service areas; and

WHEREAS, this uncodified ordinance does not contemplate or promote the annexation of any portion of the Ocean View Service Area not currently within the Calleguas or MWD boundaries to be annexed into those areas; and

WHEREAS, the District is subject to a Ventura County Superior Court judgment (“Judgment”), arising out of Case No. 127099, *City of Oxnard v. Ocean View Municipal Water District*, dated October 5, 1993; and

WHEREAS, the City is developing an advanced treatment recycled water program commonly referred to as the Groundwater Recovery, Enhancement, and Treatment Program (“GREAT Program”) and the City intends to serve recycled water from the GREAT Program to agricultural users, including former District customers, for non-potable uses; and

WHEREAS, the O/H Agreement, the Judgment, the Recycled Water Master Plan, the GREAT Program Environmental Impact Report, and the Great Program Feasibility Study form the basis for the rates and charges set forth herein; and

WHEREAS, section 15061, paragraph (b)(3), of the California Environmental Quality Act (“CEQA”) Guidelines provides that a project is exempt from CEQA if “the activity is covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect to the environment;” and

WHEREAS, this uncodified ordinance and the associated dissolution of the District does not result in any changes to existing facilities or the current quantity of water available to the Ocean View Service Area and thus, does not create the potential for causing any significant effect to the environment; and

WHEREAS, this action is statutorily exempt from CEQA under Guidelines Section 15261 because the facilities used to provide water service to the Ocean View Service Area have been in operation since before November 23, 1970; the OH Pipeline has been in operation since 1954 and the Ocean View Pipeline since 1961; and

WHEREAS, CEQA Guidelines section 15273 provides a statutory exemption from CEQA for those actions that only involve the establishment, modification, structuring, restructuring, or approval of public agency water rates and other charges that the public agency finds are intended for certain water service purposes, which do not involve rate increases to fund capital improvements for the expansion of the water system.

NOW, THEREFORE, the City Council of the City of Oxnard does hereby find as follows:

1. The adoption of this uncodified ordinance is exempt from CEQA for the following reasons:

a. Section 15061 of the CEQA Guidelines exempts projects which have no potential for resulting in a physical change in the environment:

(1.) The substitution of the City of Oxnard for the Ocean View Municipal Water District as the retail water supplier for the Ocean View Service Area will involve no change in physical infrastructure and thus shall have no potential for causing a significant effect to the environment, directly or ultimately; and

(2.) The dissolution of the Ocean View Municipal Water District and the substitution of water service from the City of Oxnard shall not be deemed or considered to be approval of any particular land use project which may be undertaken in the future; nor shall it be deemed to exempt from CEQA review any projects that may be undertaken involving water facilities used or useful in providing water service to the Ocean View Service Area.

b. CEQA Guidelines section 15273 exempts from CEQA the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for the following purposes. The City Council hereby finds the rates and charges imposed on former Ocean View Service Area customers, in whole or in part, are for the following purposes:

(1.) Meeting operating expenses, including the increased cost of water supplies, and Water Resources Division employee wages and fringe benefits;

(2.) Purchasing and leasing supplies, equipment, and materials associated with the provision of water service;

(3.) Meeting financial reserve needs and requirements; and

- (4.) Obtaining funds for capital projects necessary to maintain water service within the City service area and the Ocean View Service Area, including, but not limited to, cast-iron pipe replacement, water quality treatment upgrades, fire hydrant upgrades, hydraulic improvements to the existing system, control system improvements, and groundwater well rehabilitation, none of which expands the water system.
- c. CEQA Guidelines section 15261 exempts from CEQA projects being carried out that were approved prior to November 23, 1970. This exemption applies because:
- (1.) There are no new facilities needed to continue to provide water service to the Ocean View Service Area; and
  - (2.) The existing facilities used to provide water service were all constructed and in operation prior to November 23, 1970.

NOW, THEREFORE, the City Council of the City of Oxnard does ordain as follows:

#### Article I. WATER SERVICE TO THE FORMER OCEAN VIEW SERVICE AREA

##### Section 1. Short title.

This article shall be known and cited as the Ocean View Service Area Ordinance.

##### Section 2. Policy and Purpose.

The purpose of this Article I, sections 1-5 inclusive is to set forth the terms, rates, and charges upon which the city will provide water service within the Ocean View Service Area, upon the dissolution of the District. This ordinance and the provisions of this Article I shall not apply to those current or future customers receiving city water service that: a) are annexed into the Calleguas Municipal Water District, Metropolitan Municipal Water District of Southern California service areas, and b) are capable of receiving city water supplies that include water purchased from the Calleguas Municipal Water District. For the purpose of this ordinance, the Ocean View Service Area is that area depicted on the map on file with the City Clerk showing the boundaries of the Ocean View Municipal Water District immediately prior to its dissolution.

##### Section 3. Terms and Conditions of Service.

Except as expressly provided otherwise in this Article I, all terms and conditions of water service contained in the Oxnard City Code that are applicable to city customers shall also apply to the service of water to existing or prospective customers within the Ocean View Service Area.

Section 4. Rates and charges for city water service to the Ocean View Service Area.

(a) Monthly water use rates; small meter connections.

Each customer obtaining water through a water meter 2 inches or smaller shall pay the monthly rate for water use (per hundred cubic feet (HCF)) as set for in Oxnard City Code, Chapter 22, Article III, section 22-61(a) as provided for single family residential use.

(b) Monthly water use rates; large meter connections.

Each customer obtaining water through a meter 3 inches or larger shall pay monthly the following rate per acre foot of water delivered, or any part thereof, comprising the total of the following charges, as they may exist and be modified from time to time:

| <b>Rate Component</b>  |
|--|
| OH Agreement Variable Rate   |
| United Freeman Diversion Charge applicable to Zone B agricultural users  |
| United Groundwater Replenishment Charge applicable to OH Pipeline Agricultural users   |
| United Fixed Well Replacement Charge   |
| Fox Canyon Groundwater Management Agency (GMA) groundwater extraction charge   |
| Pro rata portion of the OH Agreement Fixed Cost per unit of Peak Capacity: to be calculated as the product of -- (OH Agreement fixed cost per unit of peak capacity) / (the then existing OH Agreement GMA Extraction Allocation for the City of Oxnard) X 26.75 cubic feet per second (cfs) |
| Administrative/Overhead Charge equal to 10 percent of the sum of the above charges   |

The applicable rate at the time of adoption of this uncodified ordinance is calculated as:

$$\begin{aligned} & \$312.48/\text{acre foot (af)} = \\ & \$140.75/\text{af} + \$15.00/\text{af} + \$11.65/\text{af} + \$11.26/\text{af} + \$6.00/\text{af} + \$99.41/\text{af} + \$28.41/\text{af} \end{aligned}$$

(c) Monthly meter rates.

In addition to monthly rates for water use (per HCF) as set forth in subsections (a) and (b), all customers shall pay a monthly meter rate, based on meter size as provided in Oxnard City Code, Chapter 22, Article III, section 22-61(b). For all meter sizes 2 inches and smaller, the applicable single family residential rate shall apply. Any existing meter smaller than 3/4-inch shall pay the monthly meter rate applicable to the 3/4-inch meter. For all meter sizes 3 inches and larger, the applicable commercial/industrial rate shall apply.

(d) Line loss surcharge.

- (1.) A significant under-accounting of water use is known to exist on the District system when total individual metered use is compared to the total water delivered into the Ocean View pipeline measured by the master District meter. A line loss percentage surcharge shall be allocated to each customer, calculated by:

100% minus ((the total individual metered deliveries to Ocean View Service Area customers) / (total water delivered into the District pipeline measured by the master Ocean View meter)).

- (2.) Each customer invoice shall be increased by the line loss percentage surcharge. For example, if the line loss percentage surcharge is calculated as 30%, each customer invoice shall be increased by 30% of the calculated monthly use rate (sections (a) or (b) above). This line loss surcharge shall terminate and not apply after December 31, 2008.

(e) Recycled water rates.

Customers using recycled water in lieu of potable water, shall be charged 85% of the then applicable water use rate as provided in subsections (a) or (b) above.

Section 5. Implementation Date. This article shall automatically become effective on the date on which the Ventura County Local Agency Formation Commission approval of the dissolution of the Ocean View Municipal Water District becomes final and effective.

Section 6. Severability. If any provision of this ordinance, or part thereof, is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected, but shall remain in full force and effect, and to this end the provisions of this ordinance are severable.

Part 2. Within fifteen days after passage, the City Clerk shall cause this ordinance to be published one time in a newspaper of general circulation in the City. Ordinance No. \_\_\_\_ was read on \_\_\_\_\_, 2007, and finally adopted on \_\_\_\_\_, 2007, to become effective as provided in Section 5.

PASSED AND ADOPTED THIS \_\_\_\_ day of \_\_\_\_\_, 2007 by the following vote:

AYES:

NOES:

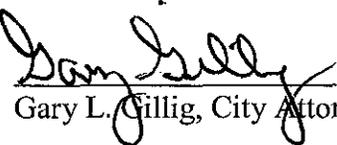
ABSENT:

\_\_\_\_\_  
Dr. Thomas E. Holden, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Daniel Martinez, City Clerk

 09-11-07  
\_\_\_\_\_  
Gary L. Gillig, City Attorney

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