

# Utility Rates Study Session

City of Oxnard, CA

July 28, 2015



# Agenda

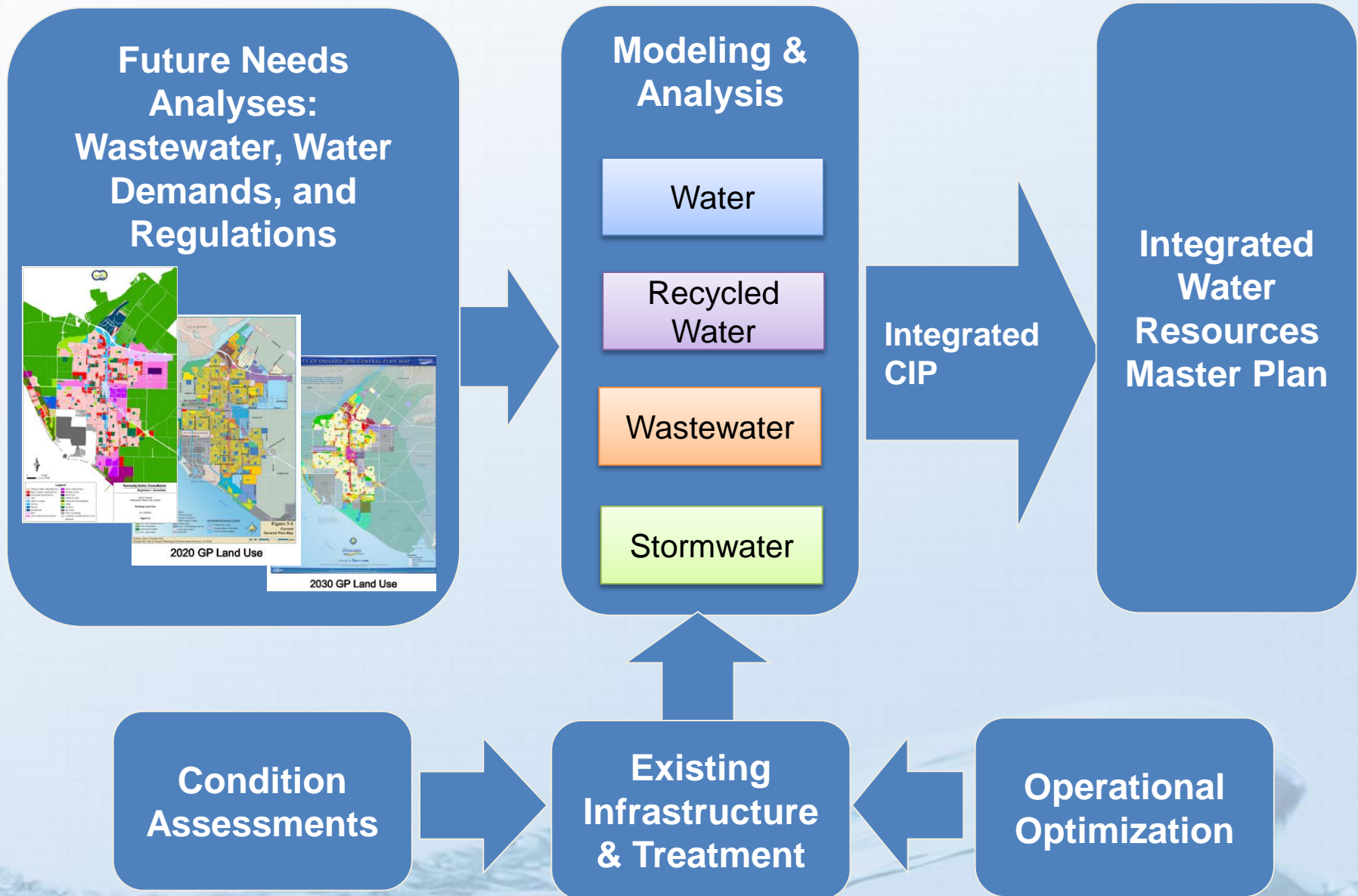
- Where we have been:
  - Existing situation
  - Future needs
  - Major Findings and “Gaps”
- Where we are now:
  - Wastewater alternatives
  - Water alternatives
  - Recommendations
- Where we are going:
  - Rate Advisory Committee
  - Prop 218 Process

# Planning Process Overview

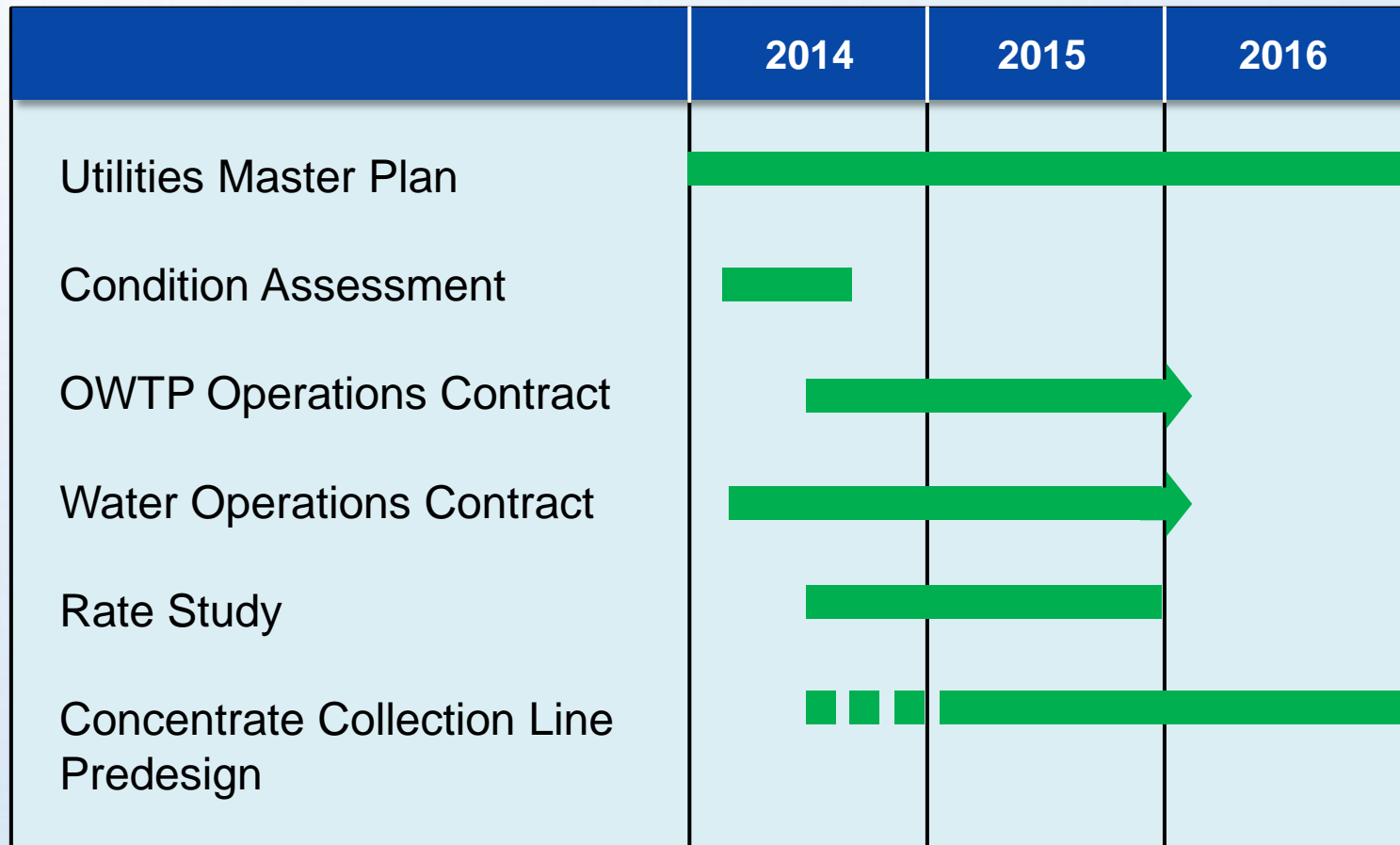
# Purpose of Public Works Integrated Master Plan (PWIMP)

- Develop a vision for the future:
- Develop 20+ year Capital Improvement Plan (CIP) and implementation plan:
- Develop the financial analysis and rate structure to support the PWIMP
- *Additional task:* Conduct rate study

# Overall Planning Process for IWRMP



# Concurrent and Coordinated Planning



# Current Situation & “Gap Analysis”

# Wastewater Treatment Plant Age

Primary Clarifiers – 1972

Aeration Basins & Sed. Tanks – 1990

Digesters – 1977

Headworks - 2008

PERKINS RD

Perkins Rd

Biotowers – 1955 & 1977

Gravity Thickeners  
– 1955 & 1977

AWPF - 2013

Hueneme Rd

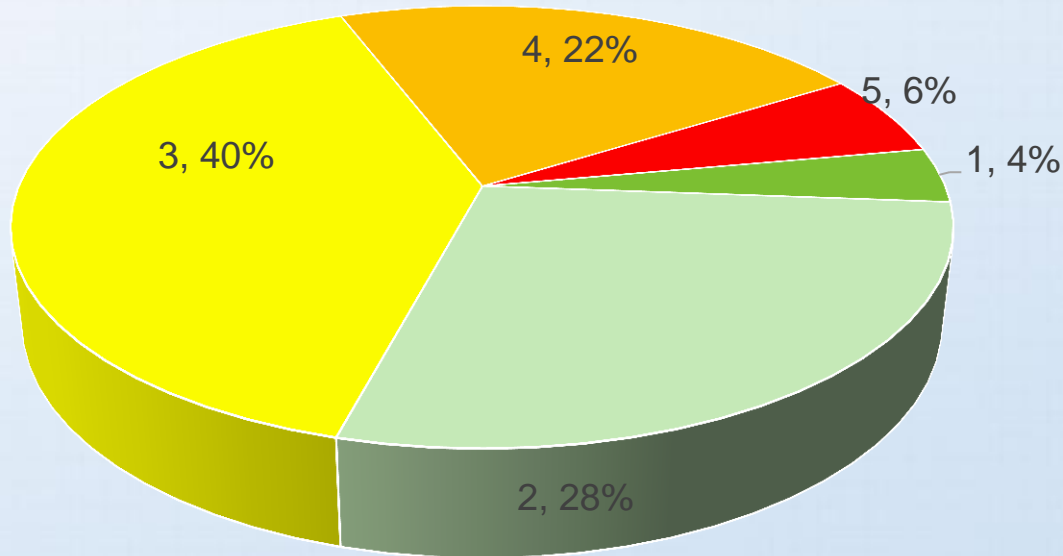
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# Wastewater Assets are in generally poor condition



# Wastewater Condition Score Summary = D

## OWTP and Lift Stations



Condition Ranking	Description
1	Very Good (0% renewal required)
2	Good (5% renewal required)
3	Fair (10-20% renewal required)
4	Poor (20-30% renewal required)
5	Very Poor (>50% renewal required)

# Water Assets Are in generally fair to good condition



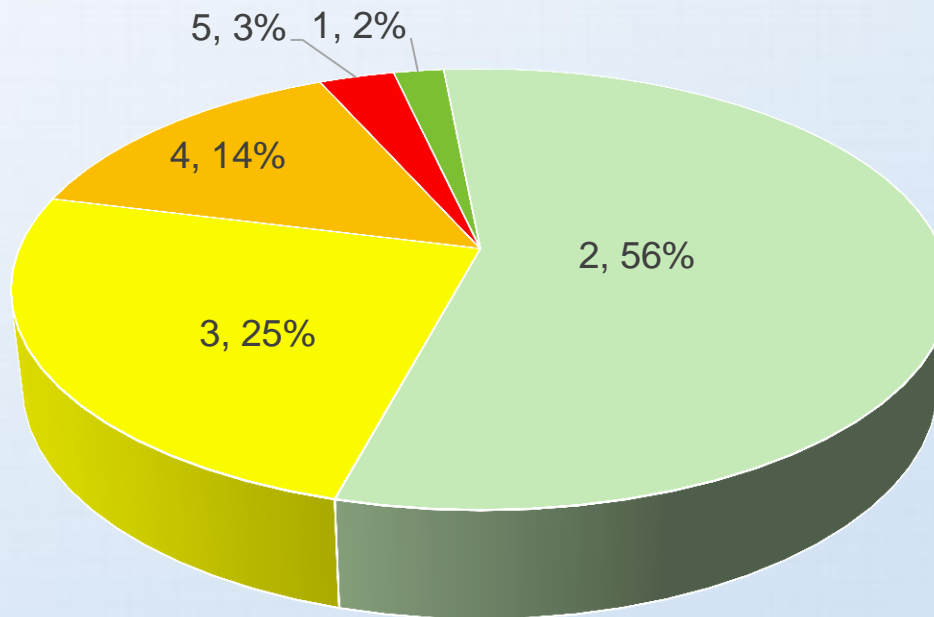
- Blending Station 1



- Blending Station 5

# Condition Score Summary - Water

## Water Campus and Distribution



Condition Ranking	Description
1	Very Good (0% renewal required)
2	Good (5% renewal required)
3	Fair (10-20% renewal required)
4	Poor (20-30% renewal required)
5	Very Poor (>50% renewal required)

# Wastewater Plant Rehabilitation

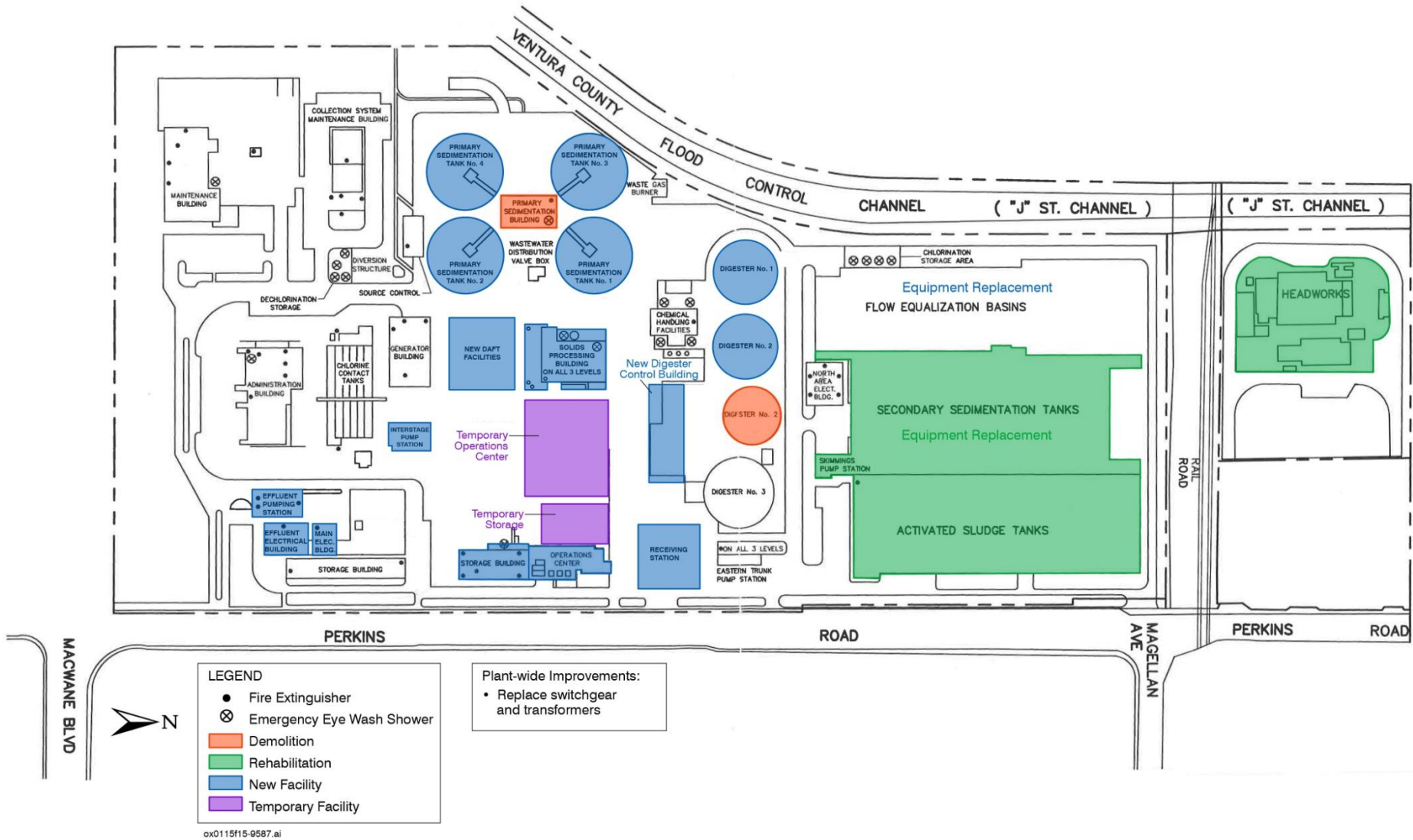
# Understanding of OWTP Condition has Developed over Time

- May 2014 – Notice to Proceed on PWIMP.
- October 2014 – Preliminary cathodic protection findings. *Result: Significant needs for corrosion protection.*
- November 2014 – Presented PWIMP status and preliminary findings to Council.
- April 16, 2015 – UTF presentation #1.
- May 2015 – Seismic analysis findings and conclusions reached. *Result: Significant improvements needed.*
- July 16, 2015 – UTF presentation #2.

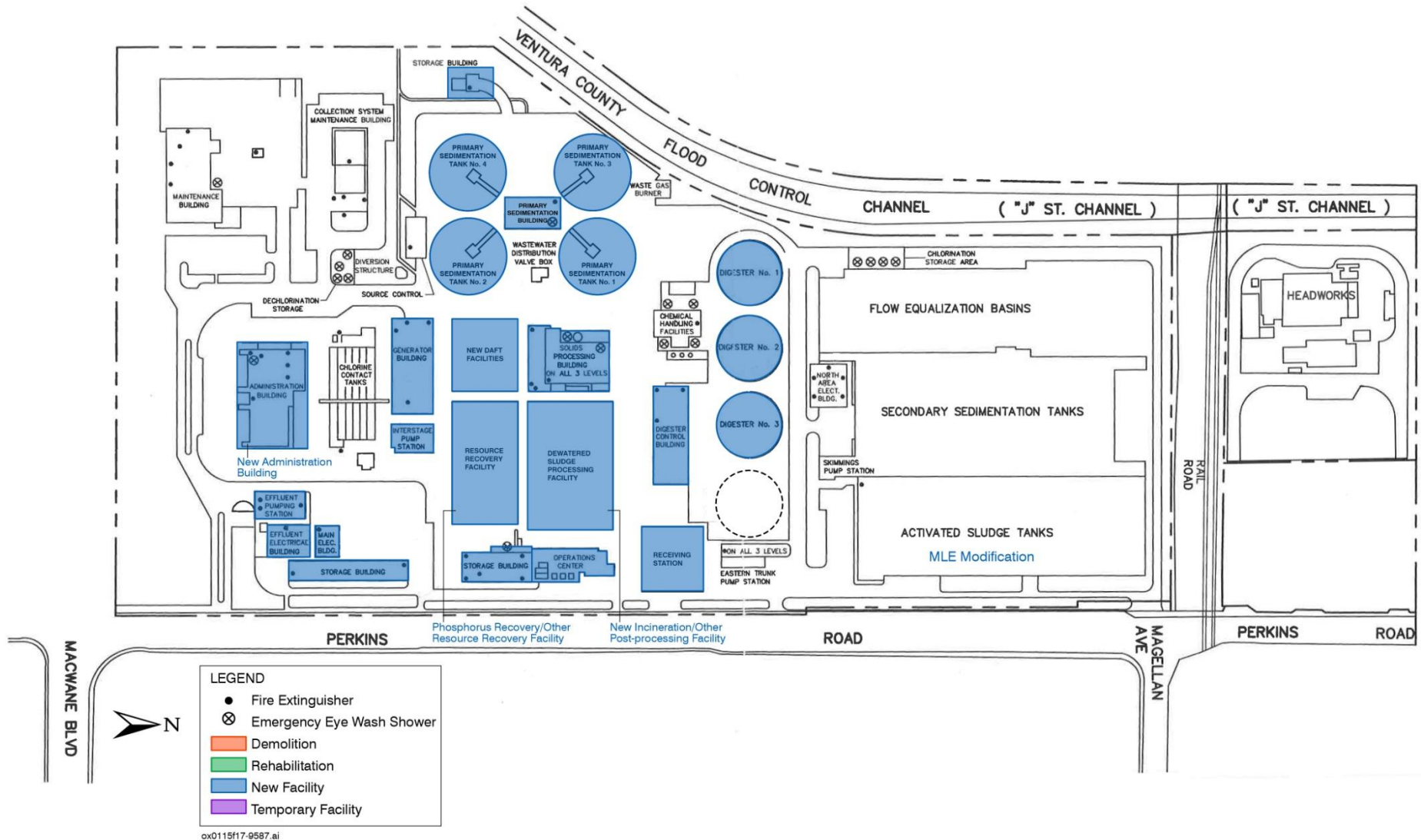
# Rehab Existing Oxnard Wastewater Treatment Plant (OWTP) Challenges

- Major structural and seismic improvements needed.
- Immediate mechanical and electrical improvements needed to keep plant operational (unsafe walkways, etc.)
- Challenges to keep existing plant operational during construction.
- No space for contractor lay-down and staging, resulting in delays and greater potential for claims.
- High long-term risk due to regulatory changes, climate change, and seismic activity.

# OWTP Site Layout - 2020



# OWTP Site Layout – 2030



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# OWTP: “Big Picture Conclusions”

- Long-term deferral of maintenance has resulted in the need for immediate major repairs to avoid permit violations - \$\$\$.
- The existing plant technology is outdated, and cannot communicate with new AWPf (SCADA).
- Operations and maintenance staff are performing daily heroics, which is not sustainable.
- Existing site is space constrained and has no room to accommodate future regulatory requirements
- The existing site is at risk for climate change and sea level rise.

# The Potential Impact of Sea Level Rise Drives Consideration of a New Plant Site



# New Wastewater Plant

# New Plant Construction

- Phased replacement of plant on adjacent land with newer technologies in years 7 to 10
- Minimum stop-gap work to existing plant in years 1 to 5 to meet safety and permit requirements.
- Build new primary and secondary treatment adjacent to headworks and/or AWWPF.
- Higher short term risk due to delay in replacement
- Reduced long-term risk due to regulatory changes, climate change, and seismic activity.

# Benefits of New Plant Option

- Better cash flow which allows for smoother rate increase
- Addresses sea level rise by moving the plant to higher ground
- Allows for more streamlined and efficient plant operation
- Provides easier, more cost effective construction and sequencing and reduces risk of permit violations during construction
- Provides for substantial increase in useful life of buried structures which would not be upgraded with plant rehab
- Benefit to AWWPF
  - Aeration and secondary treatment basins can be repurposed for AWWPF equalization
  - May be overall lower energy use for combined WWTP and AWWPF

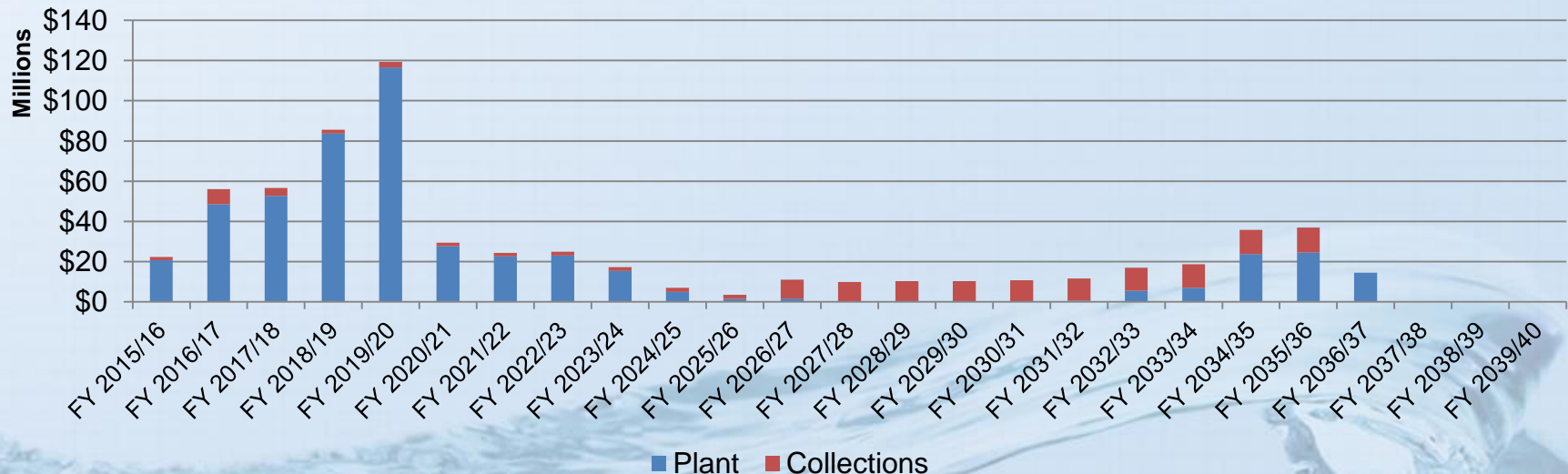
# Summary of OWTP Upgrade Options

- Option 1 - Rehab Existing Plant
  - Rehab projects constructed in phases based on criticality over next 15 years
  - Most rehab projects needed in next 5 years
- Option 2 – Construct New Plant Components
  - Years 1-5 conduct stop-gap projects to keep existing plant operational
  - Phased replacement of existing plant in years 7 to 10

# Wastewater CIP Program Overview – Option 1 – Rehab/Limited CIP

- Total CIP expenditures through FY 2039/40
  - Oxnard Wastewater Treatment Plant (OWTP)
    - \$416 M (2015 Dollars)      \$509 M (escalated)
  - Collections
    - \$93M (2015 Dollars)      \$138 M (escalated)

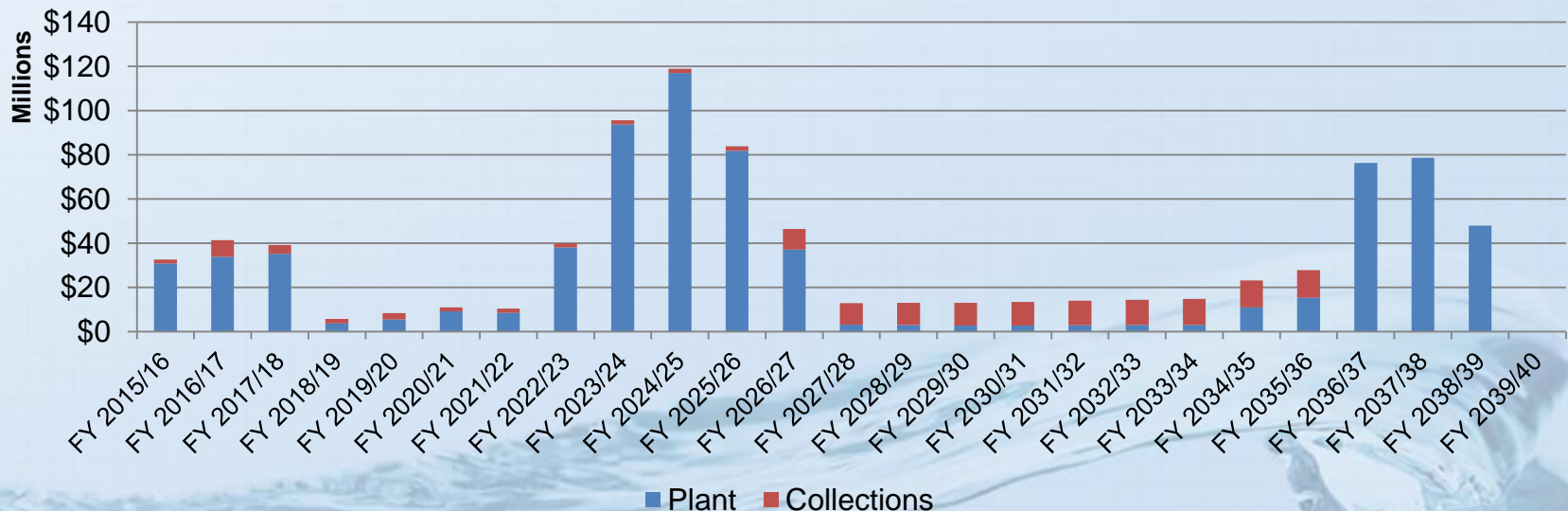
**Annual CIP Expenditures – (Escalated)**



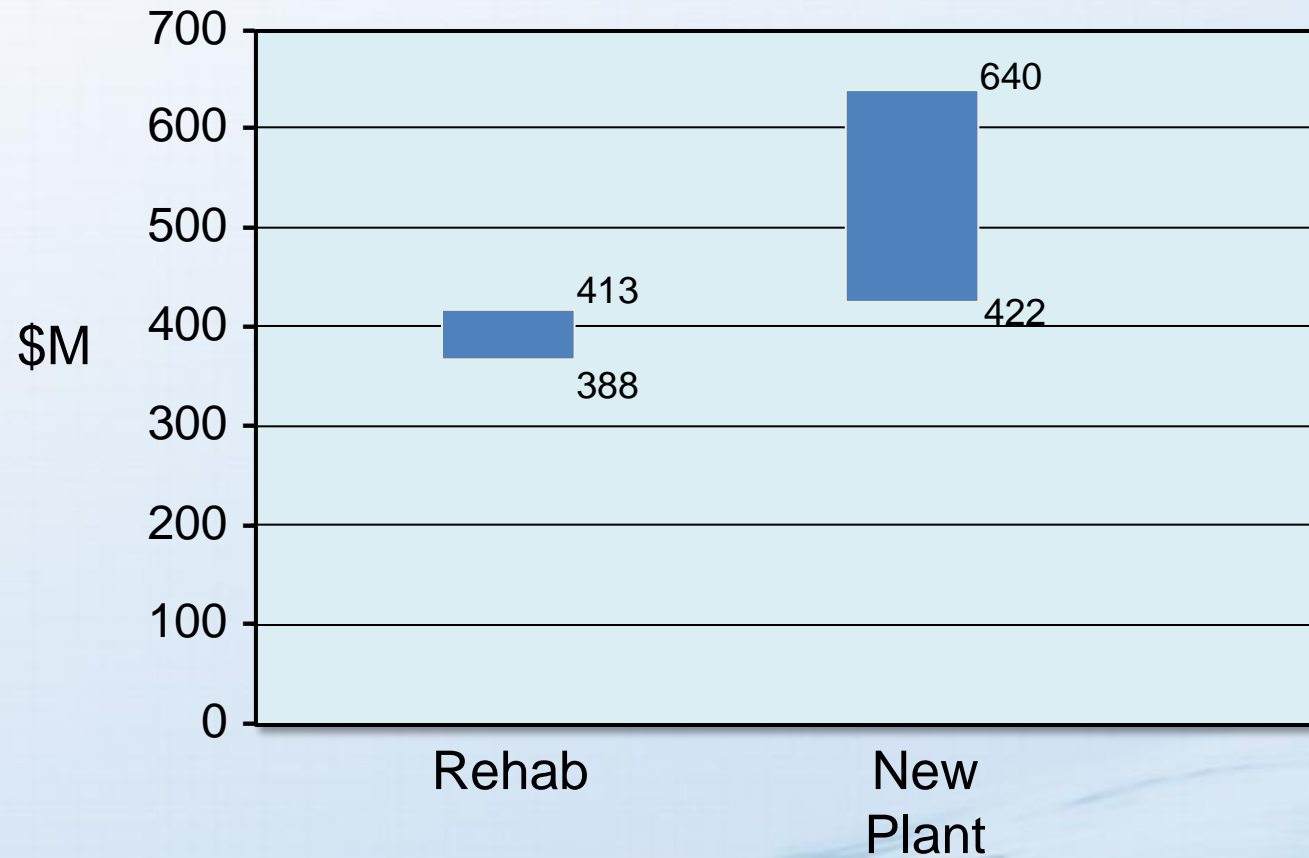
# Wastewater CIP Program Overview – Option 2 – New Plant/Reliability CIP

- Total CIP expenditures through FY 2039/40
  - Oxnard Wastewater Treatment Plant (OWTP)
    - \$526 M (2015 Dollars)      \$882 M (escalated)
  - Collections
    - \$93 M (2015 Dollars)      \$138 M (escalated)

## Annual CIP Expenditures (Escalated)



# OWTP Project Cost Range Comparison



# Lifecycle Cost Comparison

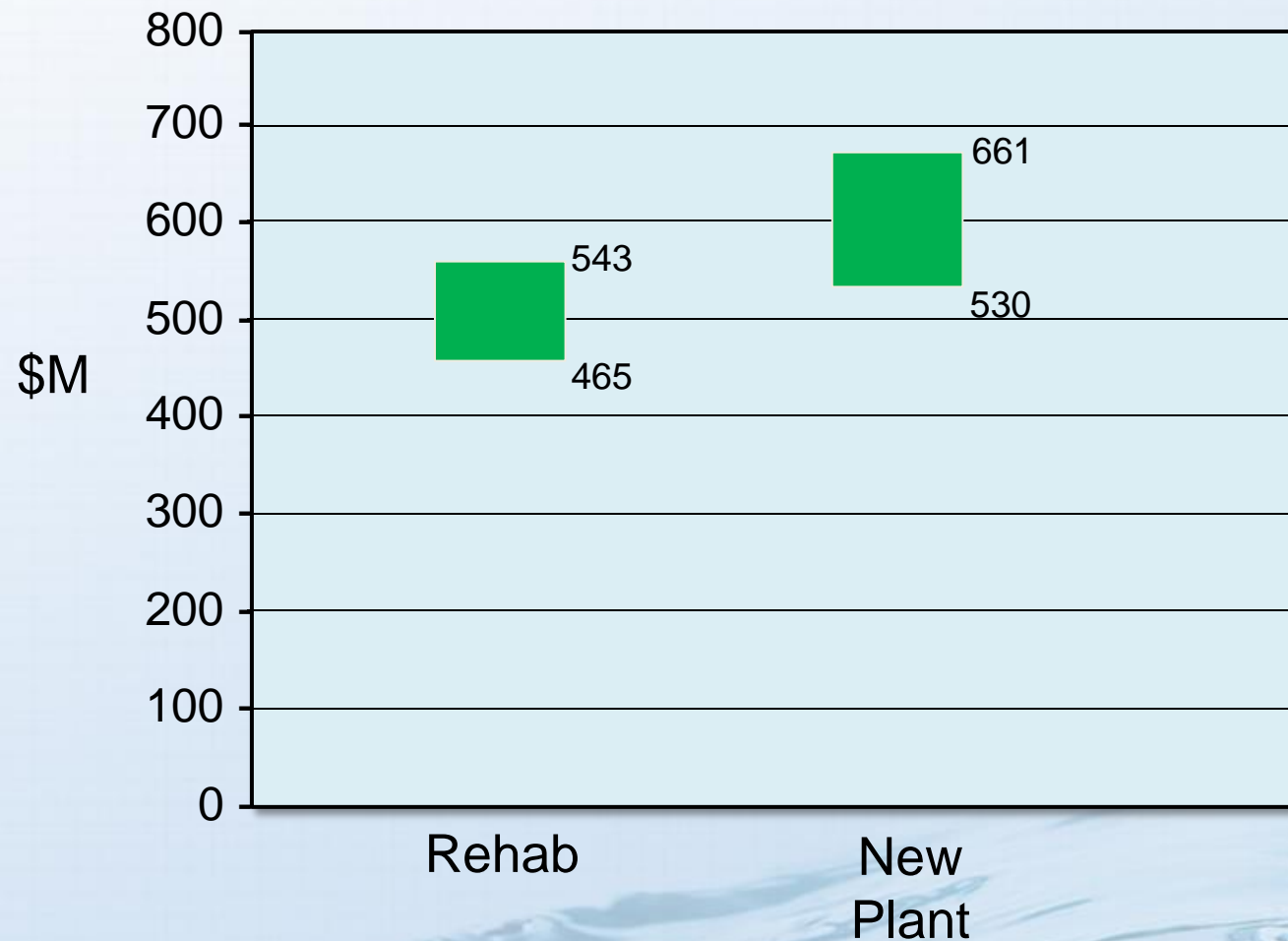
- Rehab the Existing Plant:

Needed Rehab Projects + Additional O+M Incurred due to Aging Plant =  
\$465 M - \$543 M

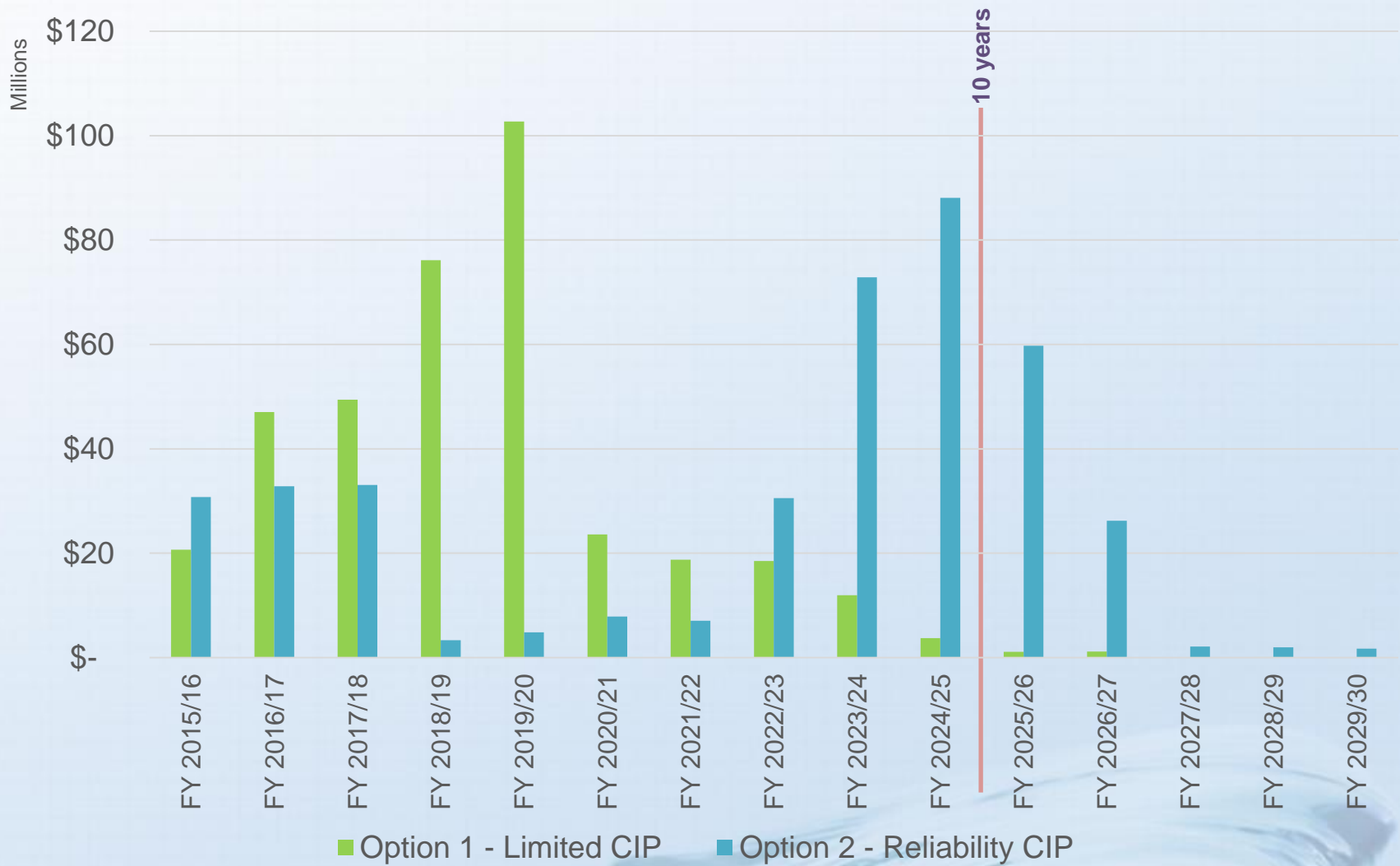
- Construct a New Plant:

Cost of New Plant + Immediate Needs for Existing Plant =  
\$530 M - \$661 M

# OWTP Life Cycle Cost Ranges



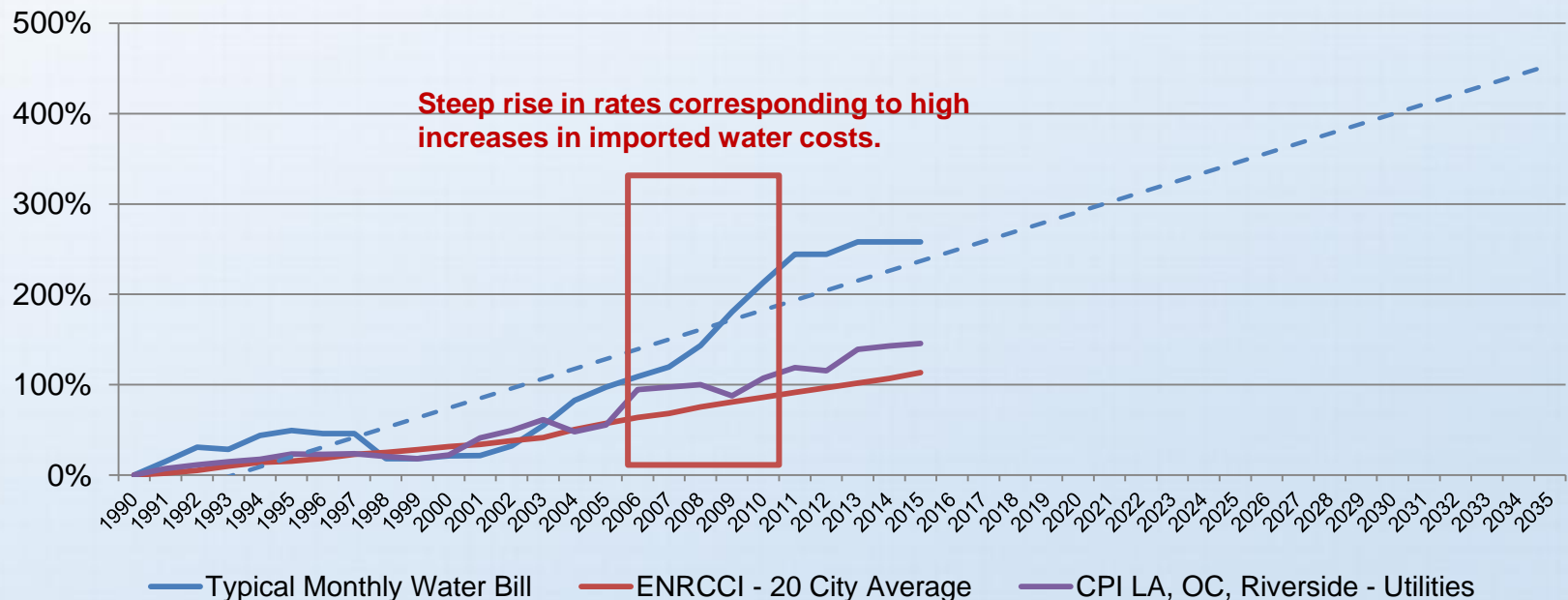
# Wastewater CIP Options - Expenditures



# Water Options

# Increases to the City's water rates have been driven largely by imported water costs.

Cumulative Water Bill, CPI, and ENR CCI Increases Since 1990

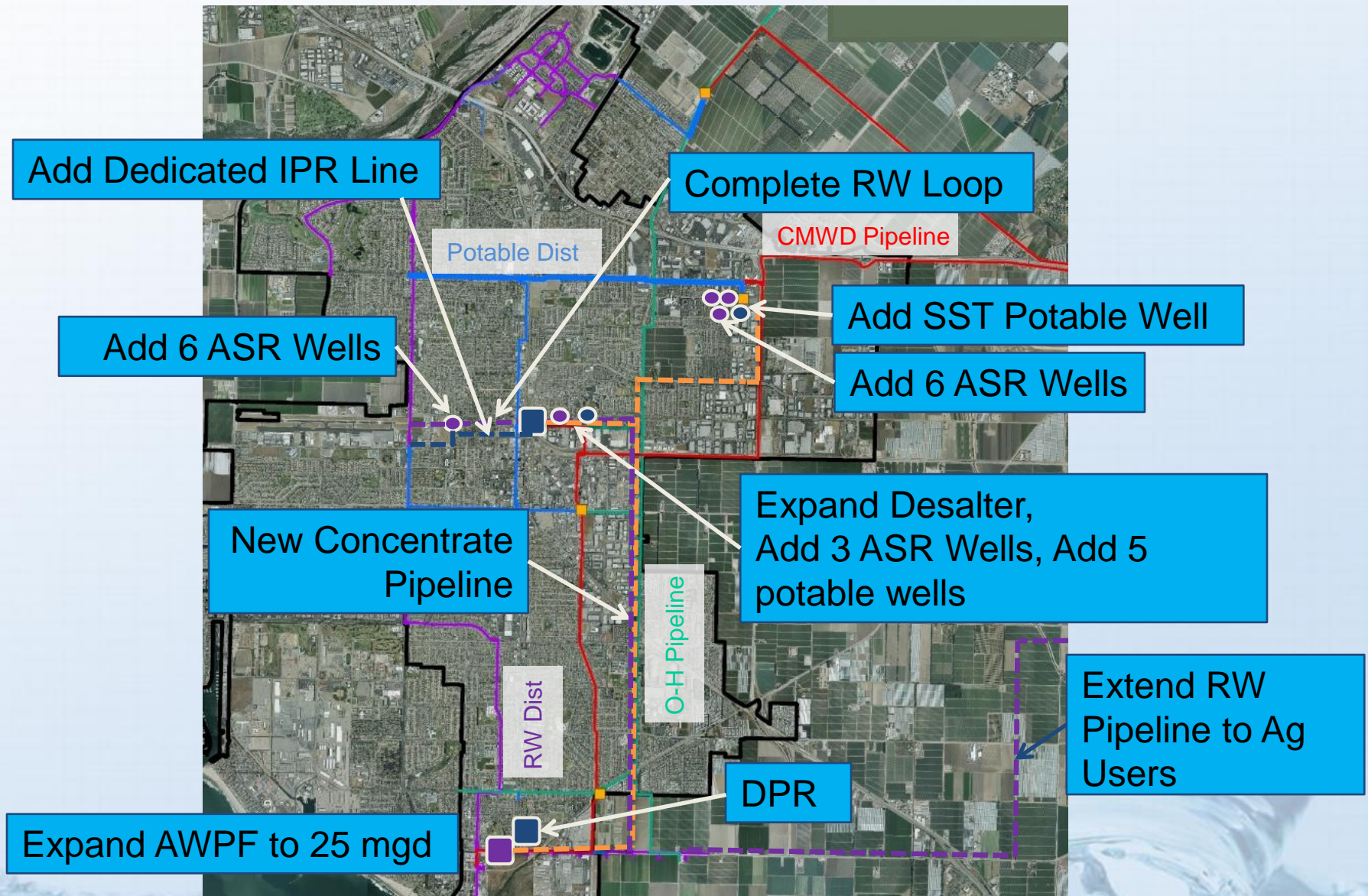


- Enhancements to local supply will give the City greater control over costs and water rates

# Water System Upgrade Options

- Option 1 – Limited CIP/Maintenance
  - Complete all required maintenance and operational reliability projects
  - Complete supply projects underway to initial phase only
  - Implement water supply components of the GREAT Program over 10 years to prepare for next drought
- Option 2 –Reliability Supply CIP
  - Complete all required maintenance and operational reliability projects
  - Continue to implement water supply components of the GREAT program to offset drought in the next 3 to 5 years
  - Leverage grant programs for system completion

# Water/Recycled Facilities

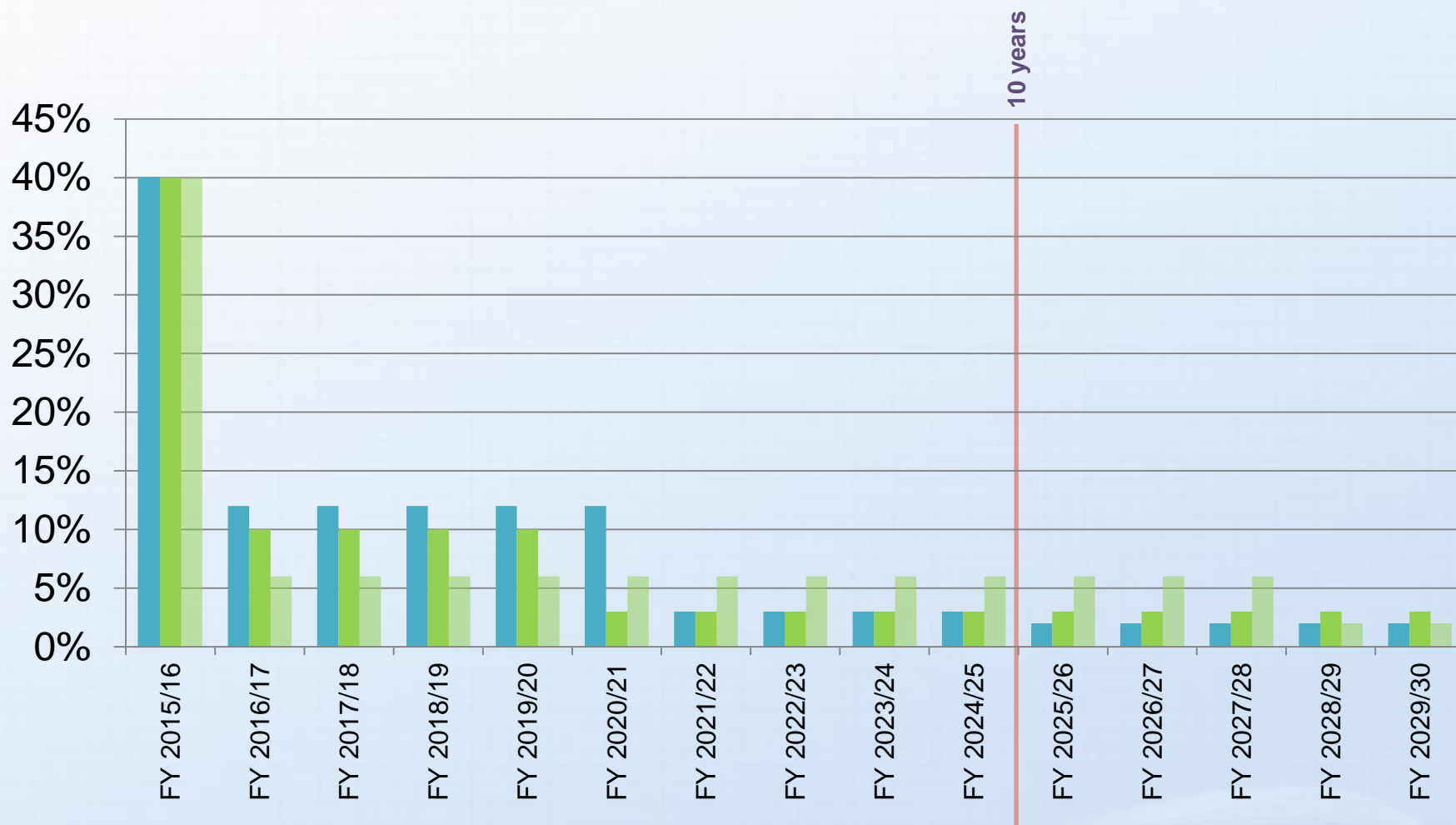


# **Rates and Recommended Program**

# Recommended Program

- Wastewater
  - New Plant (Option 2)
    - Planning-level project and life-cycle costs are “the same”.
    - Multiple benefits with new plant and location.
    - Increased flexibility to meet future requirements.
- Water
  - Reliability Supply CIP (Option 2)
    - Investment in reuse meets public health goals and provides “drought-proof” protection

# Wastewater CIP Scenario rate increase

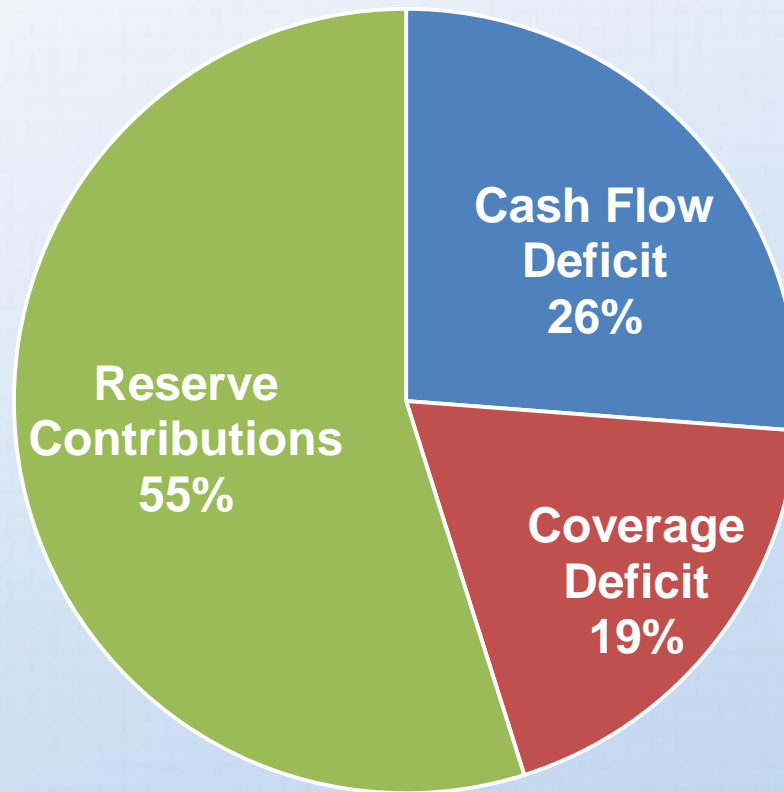


■ OWTP Option 1 - Limited CIP/R&R

■ OWTP Option 2 - Reliability CIP/New Plant - Front Loaded Rates

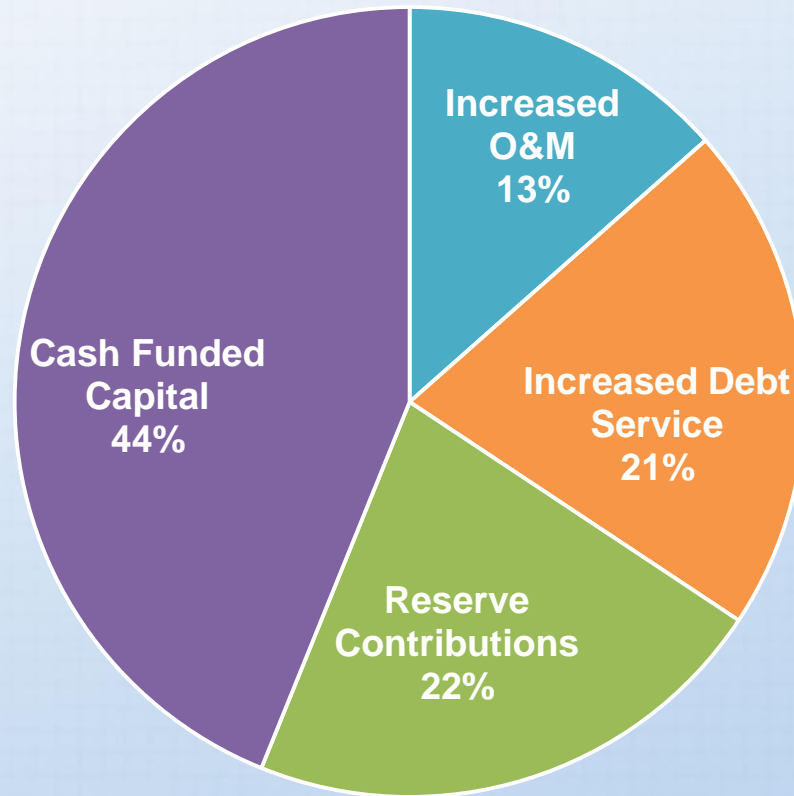
■ OWTP Option 2 - Reliability CIP/New Plant - Smoothed Rates

# Wastewater Year 1 Rate Increase Drivers



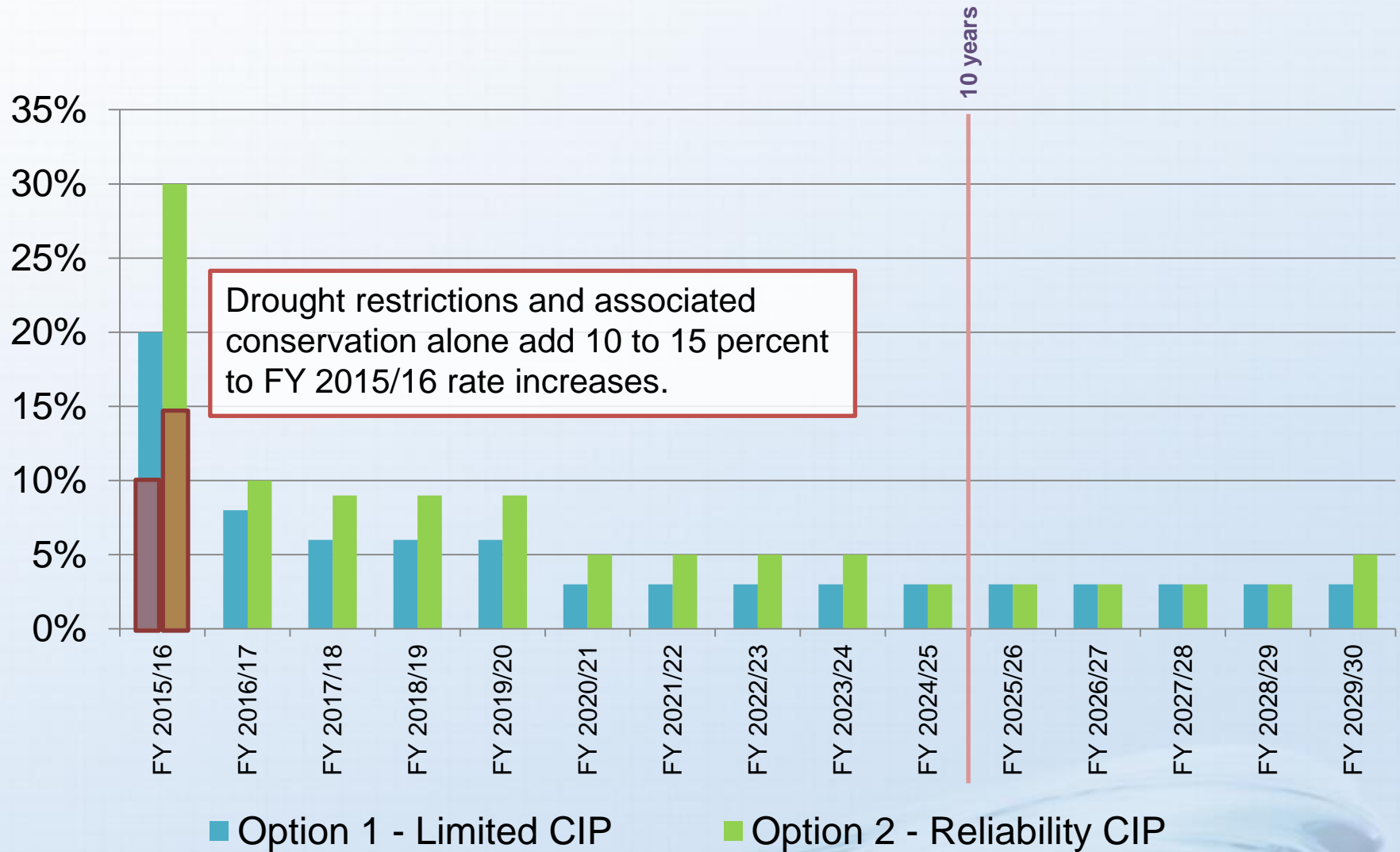
- Revenues from the first year's rate increase will be used to “right the ship” and to achieve a favorable credit rating:
  - Cover O&M expenditures
  - Increase Debt Coverage
  - Begin to Build Reserves

# Wastewater Year 2 to Year 5 Rate Increase Drivers



- Further rate increases cover additional expenditures while maintaining the Utility in good financial standing

# Water CIP Scenario Rate Increase

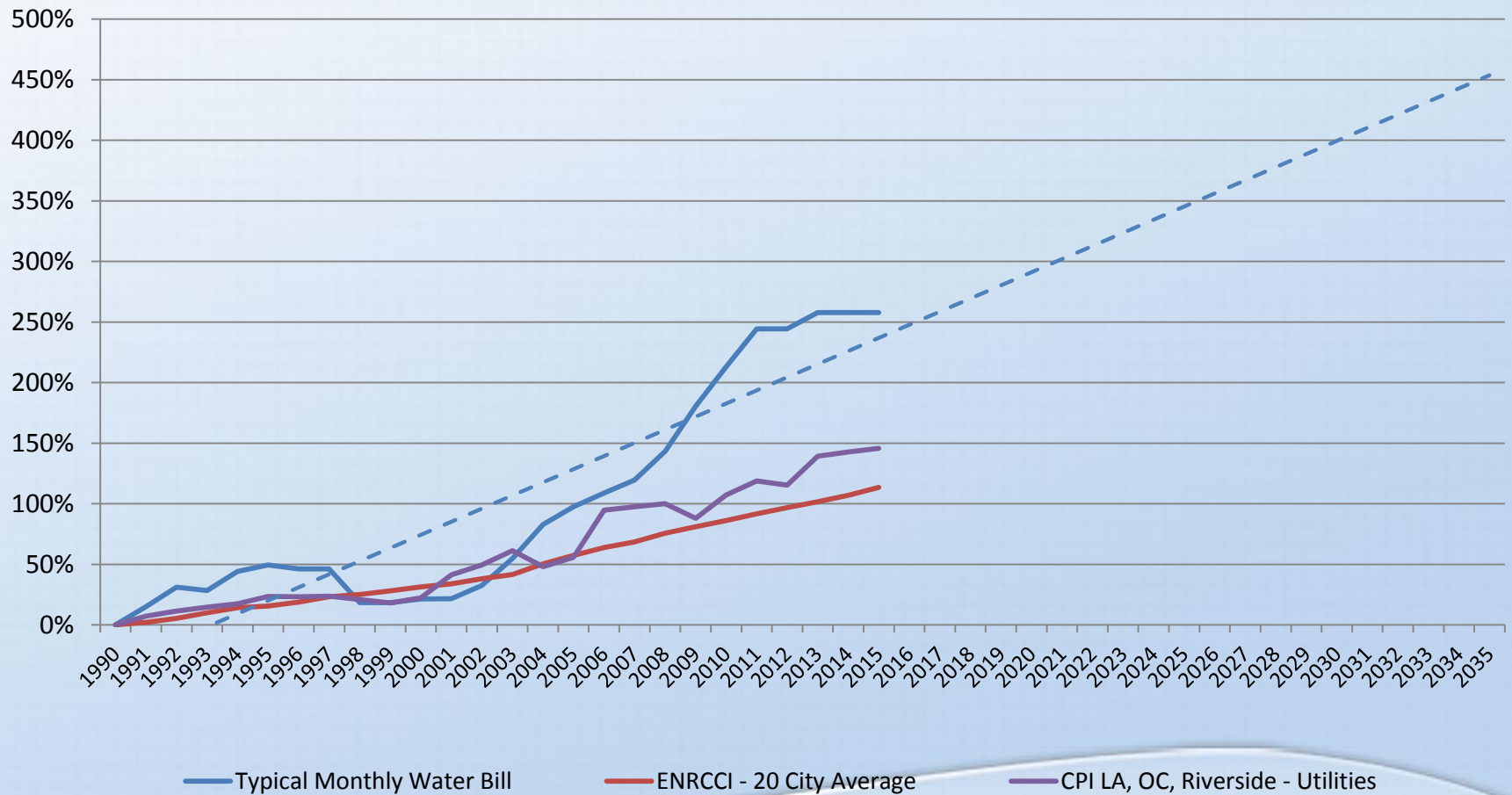


# Rate Survey

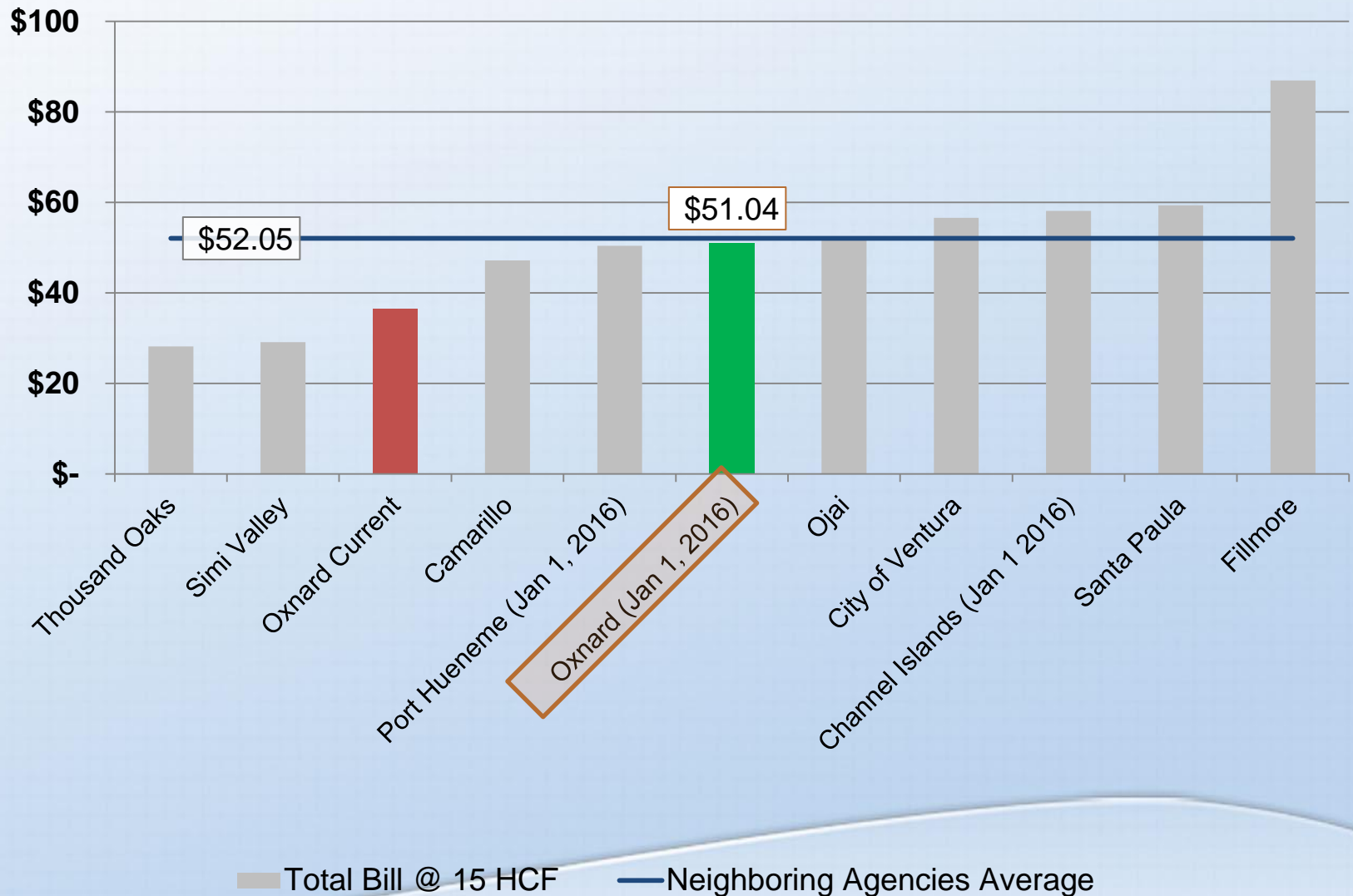
# Oxnard's water and wastewater rates have been historically below the regional average

- **Wastewater Rates** – Surveyed 9 Surrounding Agencies
  - Average Bill at 11 HCF per Month: \$48.60
  - Current Oxnard Rates: \$36.44
    - **Oxnard Rates currently 33% below average**
- **Water Rates** – Surveyed 10 Surrounding Agencies
  - Average Bill at 15 HCF per Month: \$68.82
  - Current Oxnard Rates: \$64.81
    - **Oxnard Rates currently 6% below average**

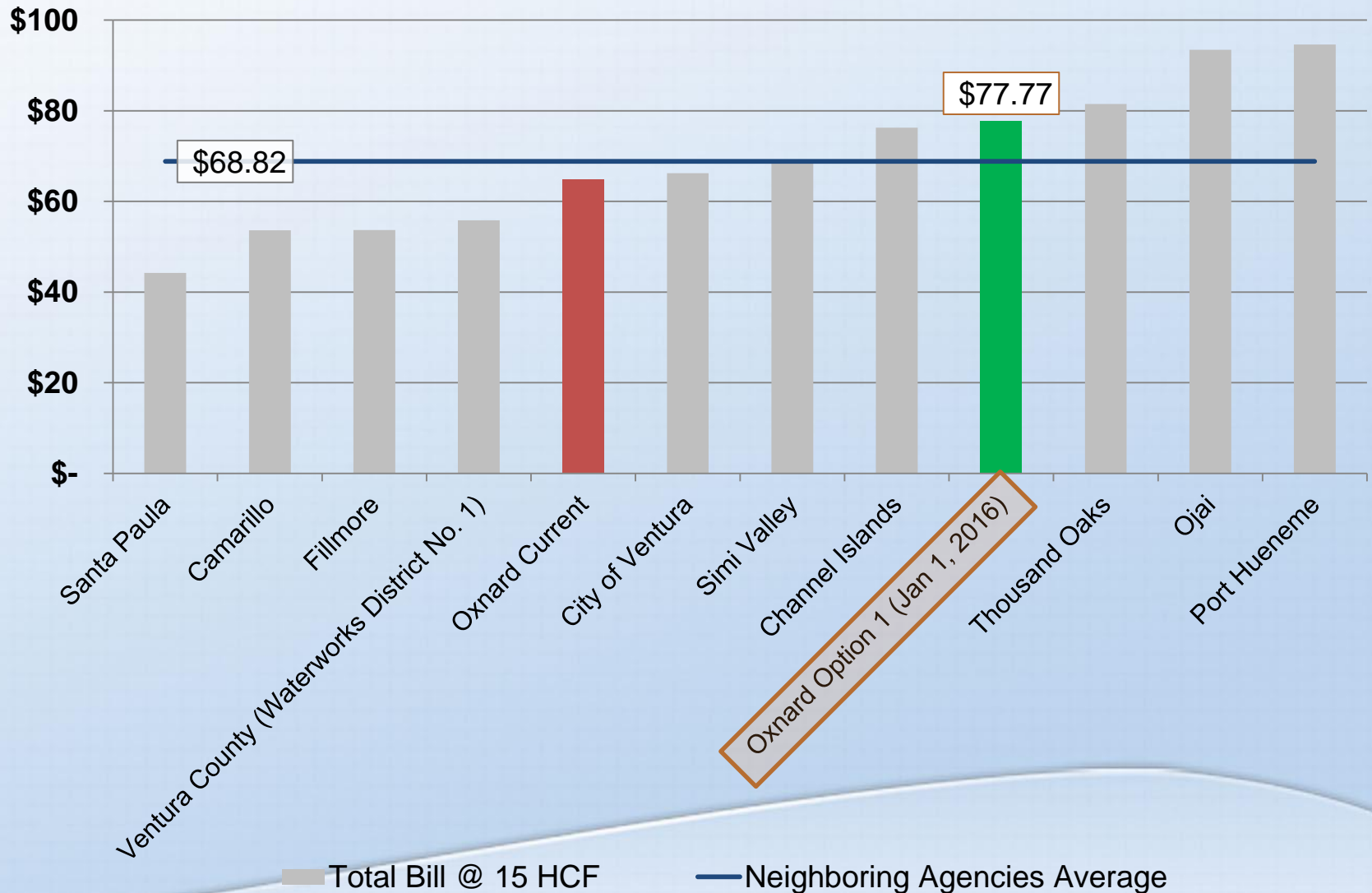
# Cumulative Water Bill, CPI, and ENR CCI Increases Since 1990



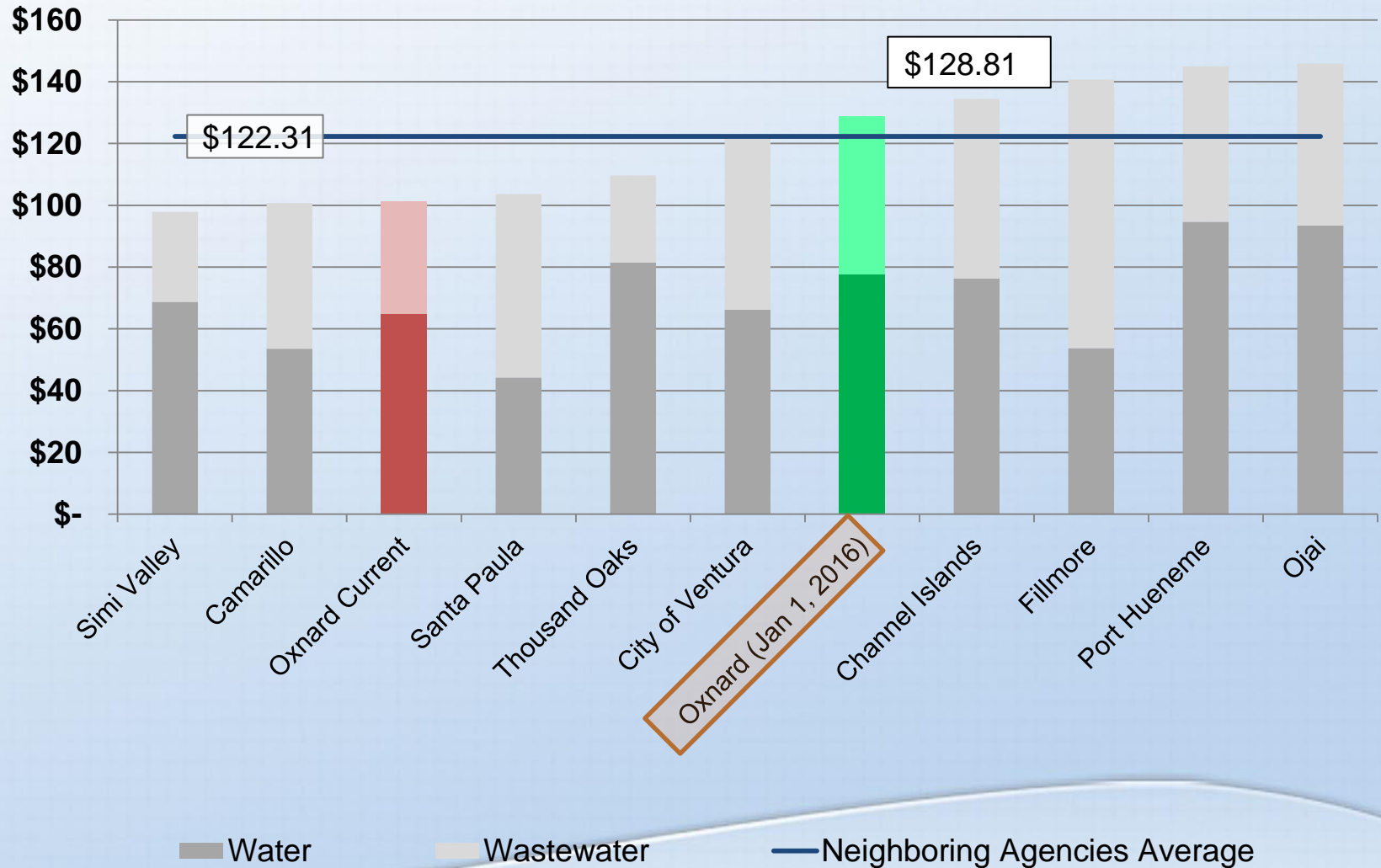
# Monthly Wastewater Bill Comparison



# Monthly Water Bill Comparison



# Combined Water and Wastewater Bills



# Ratepayer Input

# Ratepayer Input and Outreach

- Utility Rate Advisory Panel
  - Representative group
  - Meet in August and September
- Community Workshops
- Speakers for community groups
- Facility tours

# **Utilities Rates Assistance Program**

# Utility Rates Assistance Program

- Previously presented February 2013
- A few options to generate revenue exist.
- Implemented through the Catholic Charities.
- Targeted increments for revenue allocation.

# Next Steps

# Next Steps

- Utility Rate Advisory Panel formation
- Begin rate process - September
- Rates take effect – early 2016

# End of Presentation