



Meeting Date: 03/06/2012

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

Prepared By: Anthony Emmert, Water Resources Manager Agenda Item No. **0-4**

Reviewed By: City Manager [Signature] City Attorney [Signature] Finance [Signature] Public Works [Signature]

**DATE:** February 24, 2012

**TO:** City Council

**FROM:** Rob Roshanian, <sup>J.R.</sup> Interim Public Works Director  
Public Works Department

**SUBJECT: Two-Year Comprehensive Utilities Revenue Increases**

**RECOMMENDATION**

That City Council:

1. Review and provide direction to the Interim Public Works Director to implement a two-step revenue increase for the Water, Wastewater and Environmental Resources Enterprises. The proposed increases for Fiscal Year 2011-12 are one percent (1%) in Environmental Resources, twelve percent (12%) in Wastewater, and no increase for Water. For Fiscal year 2012-13, the proposed increases are one percent (1%) in Environmental Resources, eight percent (8%) in Wastewater, and three percent (3%) in Water.
2. Authorize staff to proceed with the Prop 218 public notice process.

**DISCUSSION**

In 2009, the City of Oxnard completed a comprehensive rate study for its Water, Wastewater, and Environmental Resources Enterprises. The rate study established a reasonable and direct connection between the costs to operate, maintain and administrate the systems and facilities for each enterprise and each customer class with rates, and provided a long-term financial management plan. The study recommended small increases each year for a ten-year period. Based on the rate study, the City Council implemented two rate increases, December 1, 2009 and July 1, 2010. The July 2010 increase resulted in a 5% increase to the overall utility bill for the average single-family household.

In the past two fiscal years, significant budget cuts were made and rate increases deferred, minimizing impacts upon customers in difficult economic times. In July 2011, staff reexamined the financial condition of each utility enterprise and determined, with verification of the rate model, that rate increases are needed for Fiscal Year 2011-12 and Fiscal Year 2012-13. At its February 16, 2012 meeting, the Utilities Task Force recommended staff submit a report to the City Council requesting the proposed increases. If approved by Council, staff will proceed with a Proposition 218-compliant rates notification process to property owners served by the City's enterprises.

## Two-Year Comprehensive Utilities Revenue Increase

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The City's primary financial goal for its utilities enterprises is to ensure that revenues from rates and fees are adequate to fund daily operations; required maintenance; replacement or rehabilitation of aging facilities and infrastructure; fleet replacement; needed capital improvements, debt service coverage; rate smoothing over the long-term; and maintain an appropriate level of operating reserves.

The revenue increases implemented in December 2009 and July 2010 enabled the utility enterprise funds to provide for daily operations and future rate smoothing. The proposed rate increases will ensure the continuation of daily operations, and future rate smoothing. Adoption of the proposed rates will also allow the enterprises to meet debt service coverage requirements and provide for replacement of fleet and aging infrastructure.

The recommended combined enterprises revenue adjustment is less than 4% for each year. The average single-family residential customer will see an increase of 3.6%, or \$3.95 per month, in Fiscal Year 2011-2012, and a 3.9%, or \$4.41 per month, in Fiscal Year 2012-2013, as reflected in the table below. The current average single-family residential utility bill in the Ventura County area is \$110.83. Several agencies are currently working on rate increases.

### Proposed Rate Increases for Average Single-Family Residential Customer

Utility Enterprise	Current Rates	Proposed Rates FY 2011-12	Proposed Rates FY 2012-13
Water	\$47.78	\$47.78	\$49.16 Effective July 2012
Wastewater	\$31.08	\$34.73 Effective June 2012	\$37.46 Effective Jan. 2013
Environmental Resources	\$29.92	\$30.22 Effective June 2012	\$30.52 Effective Jan. 2013
Total Utility Bill	\$108.78	\$112.73	\$117.14
	Percentage Increase:	3.6%	3.9%

If City Council approves the proposed rates, staff would proceed with a Proposition 218-compliant notification process to all property owners during the second week of March 2012, beginning the 45-day notice period. A Public Hearing is anticipated to be scheduled on May 8, 2012, introducing the new rate ordinances, followed by a second reading on the following council meeting. Upon approval, the rate increases would become effective June 16, 2012.

### FINANCIAL IMPACT

There is no financial impact with this report. Should the revenue increases be approved, staff will return to the City Council to hold a Public Hearing after the public notice period.