

Ventura County Grand Jury 2013 - 2014



Final Report

City of Ventura Water Rates

March 26, 2014

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City of Ventura Water Rates

Summary

Based on a public complaint, the 2013-2014 Ventura County Grand Jury (Grand Jury) inquired into the methods by which the City of Ventura (City) has established its water and wastewater (sewer) rates for current and future years. The Grand Jury also investigated how the City's water agency, Ventura Water, prepares customers' bills and how bill disputes are settled in the event of customer disagreements over water and/or wastewater bills.

Over the past two years a significant amount of work has been conducted to establish equitable rates and sustainable policies for the City's water and wastewater utilities. This is important because Ventura Water is owned by the City and its customers. Ventura Water receives no funding from the City's General Fund and both the Water and Wastewater Enterprise Funds are municipal businesses that have separate accounting and do not make a profit. Ventura Water must be self-supporting by rates paid by its customers.

In the investigation, the Grand Jury interviewed City and Ventura Water employees. The Grand Jury also examined data provided by Ventura Water including the water and wastewater accounting and billing processes in place at Ventura Water. In addition, the Grand Jury examined other water utility processes for granting leak or excessive usage adjustments and compared these processes with those in use at Ventura Water.

The Grand Jury found that Ventura Water grants leak adjustments as a courtesy and does not have a standard process for granting them. The Grand Jury recommends that Ventura Water establish a written leak adjustment policy and procedures for applying leak adjustments. The Grand Jury recommends that Ventura Water expand its efforts to publicize the policy and procedures. The Grand Jury also recommends that Ventura Water leverage its existing communication infrastructure to publicize its policies and inform a wider public how its rates are derived.

Background

In October 2011 Ventura Water employed Raftelis Financial Consultants (Raftelis) to develop a long-term financial plan for the purpose of creating financial stability in meeting the water needs of the community, both now and in the future. Raftelis is a national water and wastewater financial consulting firm that has served over 400 utilities and conducted thousands of similar studies. A description of Raftelis' capabilities is provided in Reference 01. The objectives of the plan were to establish water and wastewater rates that meet operating and capital costs, debt coverage, and reserve requirements. The goal of this plan was to calculate water and wastewater rates that are equitable, provide revenue stability, and promote conservation. [Ref-01]

At the heart of the Raftelis study was the development of a Ventura Water cost of service process and a rate design process. This rate design was necessary to meet the mandate of Proposition 218, enacted in 1996, which requires that the level of fees and charges must be proportional to the cost of providing water and wastewater services. After a public hearing, the new water and wastewater rate schedules went into effect in a two-phase rollout on July 4, 2012, and on July 1, 2013.

Before the new wastewater rates went into effect, the wastewater charge was based on the water flow (usage) for the two lowest usage months during the six winter and spring months, December through May. The revised wastewater rates, based on the Raftelis study, are now calculated based on an average of winter usage for two two-month billing cycles covering February through May.

A public complaint questioned the process for calculating wastewater charges, since the rate established by the above process is in effect for the entire subsequent year. For example, a customer whose water use was four times normal during either of these two key billing periods would be billed a much greater wastewater charge all year, possibly well exceeding the charge for water use itself. The public complaint was submitted by a residential customer of Ventura Water, so the Grand Jury focused its investigation on residential water users.

Methodology

The Grand Jury utilized materials found on the City of Ventura, Ventura Water website (<http://www.cityofventura.net/water>) to verify information regarding the Raftelis "Ventura Water Cost of Service and Rate Design Study Report" and information provided by Ventura Water via their monthly *Pipeline* electronic newsletter (E-newsletter). Members of the Grand Jury also attended a City Water Rate Advisory Committee meeting. The Grand Jury downloaded and reviewed the presentations from recent Water Rate Advisory Committee meetings. [Ref-01, Ref-02, Ref-04, Ref-05]

The Grand Jury also conducted several interviews of City and Ventura Water personnel. The Grand Jury obtained and analyzed water billing and complaint logs from Ventura Water and obtained information from other Ventura County (County) cities regarding their billing practices.

Facts

- FA-01.** Ventura Water was created as a separate entity from City Public Works in January 2011. [Ref-01]
- FA-02.** Ventura Water operates outside the City General Fund. [Ref-01]
- FA-03.** Ventura Water does not receive its water supply from the Metropolitan Water District. [Ref-01]
- FA-04.** Ventura Water receives its water supply from the Casitas Municipal Water District, the Ventura River, the Santa Paula Basin, the Mound Basin, the Oxnard Plain Basin, Recycled City water, and local wells. [Ref-01]

- FA-05.** Current water and wastewater rates in the City became effective in a two-phase rollout on July 4, 2012, and July 1, 2013. [Ref-01, Ref-02]
- FA-06.** The methods of calculating water and wastewater rates in the City were developed by Raftelis. [Ref-02]
- FA-07.** Raftelis is a nationally known financial, rate, and operational utilities consulting firm with nine offices, including two in California (Pasadena and Murietta). [Ref-03]
- FA-08.** Rate plans developed by Raftelis were based on the "Ventura Water Cost of Service and Rate Design Study Report." [Ref-02]
- FA-09.** Rates developed by the Raftelis study were provided to the public in April 2012 in a public hearing as required by Proposition 218, enacted in 1996. [Ref-02]
- FA-10.** Ventura Water maintains a website (<http://www.cityofventura.net/water>) as part of the City website to provide water rate information to the public. [Ref-01, Ref-02]
- FA-11.** The City maintains a Water Rate Advisory Committee whose members are selected by the City Council; the committee meets frequently to discuss water issues within the City and make recommendations. Meeting notices are published on the Ventura Water website. [Ref-01]
- FA-12.** Ventura Water publishes an electronic newsletter, *Pipeline*, which provides water information and announces dates and agendas for Water Rate Advisory Committee meetings. [Ref-01]
- FA-13.** The water rates established by the Raftelis study revised the usage in Hundred Cubic Feet (HCF) tiers for single-family residences (SFR) as follows:

Tier	Pre-Study Usage (HCF)	Post-Study Usage (HCF)
1	0-16	0-14
2	17-42	15-30
3	42+	30+

[Ref-02]

FA-14. The water usage charges for all tiers increased 8.6% from 2012 to 2013:

Tier	2012 Rate (\$/HCF)	2013 Rate (\$/HCF)
1	\$1.98	\$2.15
2	\$2.69	\$2.92
3	\$4.27	\$4.79

[Ref-02]

FA-15. Single-family residences have ¾" meters. [Ref-01, Ref-02]

FA-16. In addition to water flow charges, at the time the study was completed, service charges for a ¾" meter were increased by 53.9% in 2012 and 67.1% in 2013, from the previous rates. [Ref-02]

FA-17. Proposed rates for Fiscal Years (FY) 2015 – 2018 were presented at the December 11, 2013, meeting of the Water Rate Advisory Committee and are currently posted on the Ventura Water website. [Ref-01, Ref-06]

FA-18. The Water Rate Advisory Committee recommendations on the proposed rates were presented at the January 13, 2014, City Council meeting. [Ref-07]

FA-19. Proposition 218 notifications of the second-phase rate increases will be sent to Ventura Water customers in March 2014, with public hearings scheduled for May and new rates effective in July 2014. [Ref-06, Ref-07]

FA-20. Ventura Water creates its own water bills. [Ref-01]

FA-21. Water is billed on a bimonthly basis. [Ref-01]

FA-22. Billing rates are published on the Ventura Water website under the Customer Care heading, "Water and Waste Water Rates" topic. [Ref-01]

FA-23. Water bills have four components: Service Charge, Water Consumption Charge by tier, Wastewater Charge, and Estuary Protection Fund Charge. [Ref-01, Ref-02]

FA-24. Wastewater rates established by the Raftelis study are comprised of a flow component and a fixed charge. [Ref-02, Ref-04, Ref-05, Ref-06]

FA-25. The flow component of the wastewater billing is based on the average winter usage for two full billing cycles, from February through May. [Ref-01, Ref-02]

FA-26. The increased Service Charge implemented on July 1, 2013, is \$18.35 per bill (bimonthly). [Ref-01, Ref-02]

FA-27. The Estuary Protection Fund Charge was implemented on July 1, 2012, and is based on lawsuits filed against the City due to its discharging high-ammonia wastewater into the Santa Clara River estuary. [Ref-01]

- FA-28.** The maximum Estuary Protection Fund Charge on July 1, 2012, was \$1.96. [Ref-01, Ref-02]
- FA-29.** The maximum Estuary Protection Fund Charge was increased to \$4.07 effective July 1, 2013. [Ref-01, Ref-02]
- FA-30.** Once wastewater charges are established based on winter usage, the rate remains in effect until the next year's usage-determination period. [Ref-02]
- FA-31.** The maximum wastewater charge for an SFR is capped at 30 HCF of water with a maximum charge of \$101.75, effective July 1, 2013. [Ref-01, Ref-02]
- FA-32.** The Ventura Water website lists a contact number, (805) 667-6500, and a 24/7 online access web service, myventurawater@cityofventura.net, under the Customer Care heading. [Ref-01]
- FA-33.** The Ventura Water Customer Care department maintains a proprietary database by account number, date, and status of all services on each account.
- FA-34.** Entries in the database include calls to Customer Care, as well as inputs from meter readers and automatic data entries from meters.
- FA-35.** The Ventura Water Customer Care database contains 29,931 line items from July 2, 2012, to September 30, 2013.
- FA-36.** A significant number of line items in the Ventura Water Customer Care database consist of complaints about water usage and water bills.
- FA-37.** Ventura Water receives frequent complaints from customers stating that their readings were elevated due to suspected leaks in the homeowner system.
- FA-38.** Ventura Water can authorize leak adjustments when usage seems excessive.
- FA-39.** Ventura Water Customer Care requires customers to provide proof that leaks were repaired before issuing a leak adjustment.
- FA-40.** Leak adjustments are manually calculated as follows:
- If a customer's usage does not historically reach Tier 3, Ventura Water moves the Tier 3 charges to Tier 2 and the customer pays for the water at a lower rate.
 - If the customer's usage historically does reach Tier 3, Ventura Water averages usage and then charges the amount above the average at Tier 2 instead of Tier 3.
- FA-41.** Unexplained higher usage, not attributable to a leak, can also be granted a leak adjustment.
- FA-42.** The amount of water used to calculate wastewater rates in the winter months is not always adjusted when a leak adjustment is granted.

- FA-43.** Leak adjustments are provided as a courtesy to Ventura Water customers; the procedure is not advertised on the Ventura Water website and there is no written policy for granting leak adjustments.
- FA-44.** The cities of Thousand Oaks, Moorpark (Ventura Waterworks), Lake Sherwood Community Services District, and Ojai (Casitas Water District) provide leak adjustments to their customers and have written policies governing adjustments and specifying the number that may be granted in a defined period. [Ref-08, Ref-09, Ref-10] (Att-01)
- FA-45.** The cities of Camarillo, Fillmore, Oxnard, Port Hueneme, Santa Paula, and Simi Valley do not have written policies governing leak adjustments but grant leak adjustments as a courtesy to their customers.
- FA-46.** Golden State Water Company (Ojai) does not grant any leak adjustments to its customers.
- FA-47.** There were 174 leak adjustments granted by Ventura Water from July 3, 2012, through September 30, 2013.
- FA-48.** The total value of leak adjustments granted was \$23,551.89 during this period.

Findings

- FI-01.** Ventura Water maintains a robust electronic communication capability for the City water users; however, some users are not aware of this capability and the information that can be obtained from it. (FA-10, FA-11, FA-12, FA-32)
- FI-02.** Ventura Water used a nationally recognized water and wastewater consultant to develop current and future water and wastewater rates. (FA-06, FA-07, FA-08, FA-16, FA-17, FA-18)
- FI-03.** The City and Ventura Water maintain an active Water Rate Advisory Committee. (FA-11, FA-12, FA-16, FA-17, FA-18)
- FI-04.** Ventura Water has a Customer Care call-in number posted on its website to allow customers to discuss billing and service problems with Ventura Water personnel. (FA-32, FA-33, FA-34, FA-35, FA-36, FA-37, FA-38)
- FI-05.** Ventura Water may authorize leak adjustments to water bills when a leak or unexplained excessive usage is detected. (FA-38, FA-39, FA-40, FA-41, FA-42, FA-43)
- FI-06.** When granted, leak adjustments are calculated uniformly; however, there is no written leak adjustment policy or process for granting leak adjustments. (FA-38, FA-40, FA-43)
- FI-07.** Leak adjustments reduce Ventura Water's revenue. (FA-47, FA-48)
- FI-08.** Wastewater rates are not necessarily adjusted when water leak adjustments are granted, thereby increasing customer cost and decreasing customer satisfaction. (FA-25, FA-30, FA-42)

- FI-09.** Ventura Water’s leak adjustment practices do not correspond to some cities and/or water districts in the County but do correspond to others. (FA-44, FA-45)

Recommendations

- R-01.** The Grand Jury recommends that Ventura Water establish a written policy for granting customers leak adjustments, published online and provided with water bills. (FI-04, FI-05, FI-06)
- R-02.** The Grand Jury recommends that Ventura Water develop a documented process that is consistent with the above policy for calculating leak adjustments. (FI-06)
- R-03.** The Grand Jury recommends that Ventura Water recalculate a customer’s future wastewater rates when leak adjustments are granted, particularly in view of the year-long duration of wastewater charges. (FI-08, FI-09)
- R-04.** The Grand Jury recommends that Ventura Water assign a second employee to confirm all changes to water and wastewater records, and those changes be recorded and subject to periodic audit. (FI-05, FI-08)
- R-05.** The Grand Jury recommends that Ventura Water undertake efforts to inform the public of its rate and leak adjustment policies by advertising its website, E-newsletter (*Pipeline*), Customer Care call-in number, and 24/7 online access web service. In addition to electronic publicity and bill inserts, Ventura Water should expand use of more general modes of publicity such as flyers in community centers, notices in libraries, public service announcements on English and Spanish-language radio stations, and ads in buses and on bus stops. (FI-01)

Responses

Responses required from:

Ventura City Council (FI-01, FI-04, FI-05, FI-06, FI-08, FI-09) (R-01, R-02, R-03, R-04, R-05)

Responses requested from:

Ventura Water (FI-01, FI-04, FI-05, FI-06, FI-08, FI-09) (R-01, R-02, R-03, R-04, R-05)

References

- Ref-01.** Ventura Water website, <http://www.cityofventura.net/water> (accessed February 24, 2014)
- Ref-02.** Water Rate Advisory Committee Meeting, <http://www.cityofventura.net/event/ventura-water-rate-advisory-committee-meeting-1>, September 11, 2013, meeting (accessed March 10, 2014)

- Ref-03.** Raftelis Financial Consultants' website, <http://www.raftelis.com/> (accessed February 24, 2014)
- Ref-04.** Water Rate Advisory Committee Meeting, [http://www.cityofventura.net/files/file/public-works/water/Agenda%20Item%20No%206%20Operating%20Budget%20Overview\(1\).pdf](http://www.cityofventura.net/files/file/public-works/water/Agenda%20Item%20No%206%20Operating%20Budget%20Overview(1).pdf), October 23, 2013, meeting (accessed March 10, 2014)
- Ref-05.** Water Rate Advisory Committee Meeting, <http://www.cityofventura.net/water/committee#Meeting3>, November 25, 2013, meeting (accessed February 24, 2014)
- Ref-06.** Water Rate Advisory Committee Meeting, [http://www.cityofventura.net/files/file/public-works/water/December%2011%2C%202013%20Agenda%20Item%20%20-%20Attachment%20A%20Rate%20Study%20\(Raftelis%20Consultants%20Presentation\).pdf](http://www.cityofventura.net/files/file/public-works/water/December%2011%2C%202013%20Agenda%20Item%20%20-%20Attachment%20A%20Rate%20Study%20(Raftelis%20Consultants%20Presentation).pdf), December 11, 2013, meeting (accessed March 10, 2014)
- Ref-07.** City of Ventura, City Council website, January 13, 2014, Meeting Agenda item 12, http://www.cityofventura.net/files/file/meetings/city_council/2014/01-13-14/item%2012.pdf (accessed February 24, 2014)
- Ref-08.** City of Thousand Oaks Administrative Policy 22-14.005, "Adjustments to Water Bills" (available from City of Thousand Oaks upon request)
- Ref-09.** Ventura Waterworks website, "District 1, 16, 17, 19 Rules and Regulations" (Moorpark, Piru) http://portal.countyofventura.org/portal/page/portal/PUBLIC_WORKS/WaterSanitation/Ventura%20County%20Waterworks%20Districts%20Rules%20and%20Regulations (accessed March 4, 2014)
- Ref-10.** Ventura Waterworks website, "Lake Sherwood Community Services District (LSCSD) Rules and Regulations" [http://portal.countyofventura.org/portal/page/portal/PUBLIC_WORKS/WaterSanitation/Ventura%20County%20Waterworks%20Districts%20Rules%20and%20Regulations/Lake%20Sherwood%20Community%20Services%20Districts%20\(LSCSD\)%20Rules%20and%20Regulations](http://portal.countyofventura.org/portal/page/portal/PUBLIC_WORKS/WaterSanitation/Ventura%20County%20Waterworks%20Districts%20Rules%20and%20Regulations/Lake%20Sherwood%20Community%20Services%20Districts%20(LSCSD)%20Rules%20and%20Regulations) (accessed March 4, 2014)

Attachments

- Att-01.** Excerpt from Casitas Municipal Water District Leak Relief Rates and Regulations for Ojai Customers

Glossary

<u>TERM</u>	<u>DEFINITION</u>
City	City of Ventura
County	Ventura County
FY	Fiscal Year
Grand Jury	2013-2014 Ventura County Grand Jury
HCF	Hundred Cubic Feet
Leak adjustment	Adjustment made to water usage and water bill by Ventura Water based on a customer having a water leak or unexplained increase in water usage.
<i>Pipeline</i>	Ventura Water Electronic newsletter (E-newsletter)
Proposition 218	A proposition approved by California voters in 1996 to limit the methods by which local governments exact revenues from taxpayers without their consent.
Raftelis	Raftelis Financial Consultants
SFR	Single Family Residence
Tier	Water usage quantity interval for fixed which billing rate is established, rates normally increase as usage reaches higher tiers
Wastewater	Sewer
Water Flow	Water usage

Attachment 01

Excerpt from Casitas Municipal Water District Leak Relief Rates and Regulations for Ojai Customers

11.1.2 NONREGISTERING METERS. Should any meter in service fail to register during any billing period or a portion thereof, the customer shall be billed for the estimated use of water during such period as determined by Casitas after consultation with the customer.

11.1.2.1 ADJUSTMENT FOR NON-REGISTERING METER: If the meter is mis-registering or is non-registering the water usage will be averaged. The average usage will be calculated by averaging the usage (units used), for the previous two billing periods and the previous billing a year ago, same time period, using 33%, 33% and 34% respectfully. These percentages total 100% and become the usage for the averaged period.

11.1.3 LEAK ADJUSTMENT.

11.1.3.1. Qualification for Leak Adjustment: In order to qualify for economic relief from water leaks, the request for leak adjustment must be submitted in writing, with appropriate documentation, by the customer within one year of the leak occurrence. The usage during the period of the leak must be at least twice the average of the three year historical usage for any leak relief to be considered. No leaks may have occurred for the requesting customer for the previous five years. The Leak Adjustment provision is provided only to the Residential classification.

11.1.3.2. Documentation: The customer is responsible for providing to the District adequate written and pictorial documentation to prove the leak occurred and has been repaired. The documentation shall include, but not be limited to repair receipts from a plumber, receipts for materials used in the repair, pictures of the leak and/or repair, and any other evidence that the leak has been repaired.

11.1.3.3 Substitution of Larger Leaks: A person may substitute a larger leak for a smaller leak during the 5-year period but must refund the amount of the smaller leak adjustment and the five-year period begins with the new, larger leak.

11.1.3.4 Leak Adjustment Calculation: The Leak Adjustment calculation is the difference in the quantity of water of the 4-month leak period, less the average of the same period in the prior three years. This water cost amount that is determined to have been the leak is divided by two, equally splitting the District's calculation of the water cost that is eligible for leak adjustment between the customer and the District.

11.1.4. OTHER ADJUSTMENTS. Should other adjustments become necessary because of actions by the District, such as the District causing a leak or a meter mis-registering or a non-registering meter; the General Manager can adjust those issues.

11.2 PROCEDURE

11.2.1 NOTIFICATION TO CASITAS. If a customer believes his/her bill to be in error, he/she shall so advise Casitas, setting forth the basis for the claim.

11.2.2 TIME LIMIT. Within 60 days from the billing date, the customer shall deposit the full amount of the bill with Casitas together with a statement of reasons for believing the bill to be in error.

11.2.3 ADJUSTMENT BY BILL HEARING OFFICER. The Bill Hearing Officer shall have the authority to make such adjustment in the disputed bill as he feels is appropriate in the circumstances up to \$500.00. Amounts over \$500.00 require the approval of the General Manager. Should the customer and the Bill Hearing Officer or the General Manager fail to agree on the amount to be paid to Casitas on account of the disputed bill, the customer shall have the right to appeal the matter to the Board for settlement.

11.2.4 ADJUSTMENT BY BOARD. The procedure for appeal to the Board shall be as follows:

11.2.4.1 WRITTEN NOTICE. After receiving said deposit and statement, Casitas shall give written notice to the customer of the date and time of the meetings at which the bill will be considered by the committee and/or Board.

11.2.4.2 PRESENTATION OF EVIDENCE. The customer or the customer's representative may appear at said meeting of the Board and present whatever evidence he/she may have concerning the alleged error in the bill.

11.2.4.2 BOARD DETERMINATION FINAL. The Board shall consider the alleged error and give its decision within 30 days after the conclusion of said meeting. The decision of the Board shall be final and conclusive.

12. DISCONTINUANCE AND RESTORATION OF SERVICE.

12.1 SHUTOFF FOR TEMPORARY PERIOD OF NON-USE. For the convenience of all residential services 1 inch and smaller, the service may be discontinued at the request of the customer for a temporary period of non-use.

12.2 ARRANGEMENT FOR DISCONTINUANCE OF SERVICE. Water service will be turned off on the date requested by the customer, provided 72 hours advance notice, excluding Saturdays, Sundays and holidays, is furnished to Casitas. Turn offs are normally made on Mondays and Thursdays. The customers shall be held responsible for all service rendered to their premises until the date of turnoff specified in a notice to Casitas. For services larger than 1 inch, the meter shall be removed when service is discontinued and customers requesting their service be discontinued shall sign a statement that indicates that they acknowledge that they are giving up their allocation. All services shall have the meter removed when the owners request in writing that they wish to discontinue the service, the owner shall be required to sign a form indicating the service will be discontinued, which will mean termination of the allocation and the removal of the meter

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