

1999 - 2000 Ventura County Grand Jury Report

**Channel Islands Beach
Community Services District**

Channel Islands Beach Community Services District

Introduction

The 1999-2000 Grand Jury undertook a study of the Channel Islands Beach Community Services District (CIBCSD) to determine:

1. If the District could be eliminated or annexed.
2. Whether the water rates in Channel Islands Harbor are fair to all.
3. The impact of the County's consideration of withdrawing from a 30-year contract with the District.

Background

Channel Islands Harbor was developed in the early 1960s. The land and water areas are owned by the County. The water area of the Harbor is within unincorporated territory of the County, while the land portion is within the political boundaries of the City of Oxnard. Some land and water areas within the Harbor are subject to long-term ground leases with the County upon which the lessees have constructed and own various improvements. The CIBCSD is located in unincorporated land within the Harbor. (See Figure 1)

The community now known as the Channel Islands Beach Community Services District remains unincorporated and has been served by the county since the 1920s. A water district in the area was established in the 1960s after a harbor was created out of the marshland. The County then entered into a contract with the Ventura County Water District to serve the water users resulting from the creation of the harbor.

In 1963, the County of Ventura entered into an agreement, on behalf of the County's harbor lessees, with the Oxnard Beach County Water District (predecessor agency to the CIBCSD), to provide water service to the Channel Islands Harbor. Under that agreement, the Harbor became part of the County Water District's service area.

In 1982, the beach communities of Hollywood Beach and Silver Strand were considering options to:

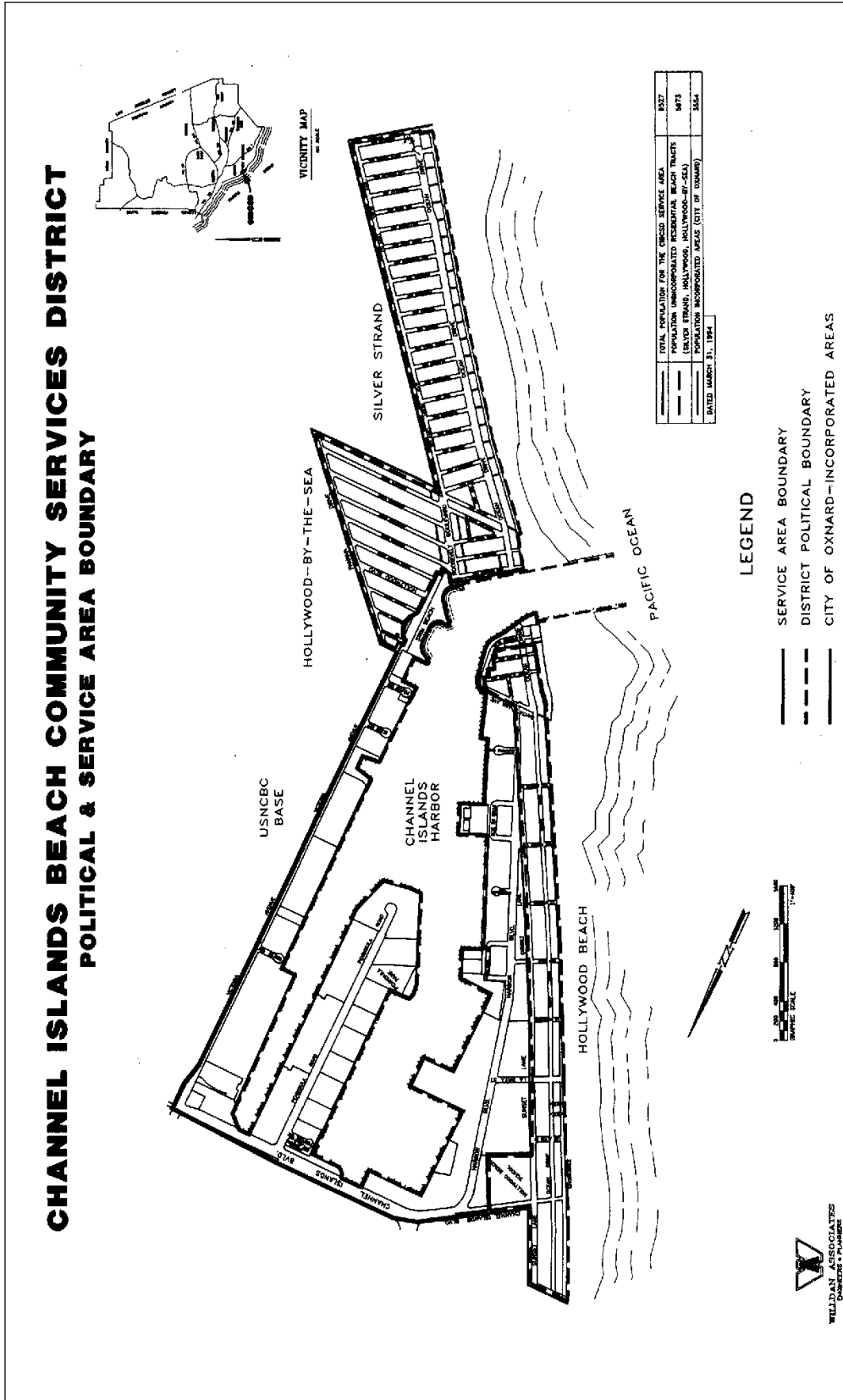


Figure 1. Channel Islands Beach Community Services District

1. Remain an unincorporated county territory, either with or without the Channel Islands Beach Community Council, or
2. Annex to the City of Oxnard, or
3. Annex to the City of Port Hueneme, or
4. Remain unincorporated and create a Community Services District.

The proposal to form a Community Services District, established in accordance with provisions of Government Code Section 61000, et. seq., was submitted to voters in the area and passed with a 58% majority. CIBCSD began operation in December 1982 with an elected five-person board of directors. It was the first district of its kind to be formed in Ventura County.

The District provides water, wastewater and other services to the small, mainly residential section in the unincorporated area within the Channel Islands Harbor. Upon formation of the new district, the County extended the prior arrangement, agreed to in 1963, to provide water to the Harbor lessees.

In 1994, the City of Port Hueneme (COPH) and the District signed a joint powers agreement to form the Port Hueneme Water Agency to serve the Port Hueneme subregion, consisting of Port Hueneme, CIBCSD, the United States Naval Construction Battalion Center, and the Naval Air Weapons Station at Point Mugu.

In 1996, the County of Ventura and the Channel Islands Beach Community Services District entered into a Water Service Agreement. That Agreement called for the District to continue providing water service to the County and its Harbor lessees for 30 years, even though the water service boundaries of the Harbor were outside the political boundaries of the District.

Methodology

As part of this report, Grand Jury members interviewed the Harbor Department Director, the CIBCSD General Manager, several department heads of the Port Hueneme Water Agency, the Mayor of Port Hueneme; we also reviewed several documents and agreements. Committee members also toured the Port Hueneme Water Agency.

Findings

- F-1 The original source of water for the area now served by CIBCSD was from the District's lower aquifer system wells. In the early 1990s, seawater intrusion threatened the lower

aquifer system used for groundwater extractions in the Port Hueneme subregion.

- F-2 Because of continued problems of possible sea water intrusion, community leaders proposed construction of a new and modern water treatment plant to ensure the future water supply to the District's customers, including the Navy Base, Point Mugu, CIBCSO and Port Hueneme.
- F-3 Annexations and water supply agreements with Calleguas Municipal Water District and the Metropolitan Water District of Southern California were approved allowing for connection to the various sources of water entering the County.
- F-4 Water delivery systems have been built, connecting Point Mugu, Port Hueneme, United States Construction Battalion Center Base and CIBCSO.
- F-5 48% of the water delivered from the Port Hueneme Water Agency to the District is then distributed to Harbor customers.
- F-6 The Water Service Agreement created between the County and CIBCSO requires CIBCSO to provide water service at equitable and non-discriminatory rates, consistent with the water rates charged to the District's other beach residential

<u>WATER RATES FOR A TYPICAL COMMERCIAL BUSINESS USING 55 HUNDRED CUBIC FEET PER MONTH MONTH</u>			
Categories	CIBCSO	PORT HUENEME	OXNARD
Basic rate for 2" connection	\$122.85	\$10.00	\$19.85
Cost for total consumed*	139.15	107.25	65.34
TOTAL	\$262.00	\$117.25	\$85.19
* Rates per HCF:			
CIBCSO	\$2.53		
PORT HUENEME	1.95		
OXNARD (0-10 HCF)	1.9629		
(11-400HCF)	1.0160		
<u>WATER RATES FOR A TYPICAL RESIDENCE USING 8 HUNDRED CUBIC FEET A MONTH</u>			
CATAGORIES	CIBCSO	PORT HUENEME	OXNARD
Rate for 3/4" connection	\$18.72	\$25.20	\$3.80
Cost for total consumed**	14.35	No meter	8.76
TOTAL	\$33.17	\$25.20	\$12.56
** Rates per HCF			
CIBCSO (0-3 HCF)	\$1.45		
(4-16 HCF)	2.02		
PORT HUENEME - NO METER			
OXNARD	1.095		

Figure 2

water customers. Figure 2 compares rates for typical residential and commercial customers as charged by CIBCSO, City of Port Hueneme and the City of Oxnard. (See Figure 2)

- F-7 The Water Services Agreement requires the District to create and maintain a Water Utility Rate Review Committee (WURRC), composed of :
1. The Director of the County Harbor Dept.
 2. Three harbor lessee representatives.
 3. Four residents or property owners in the District.
 4. A member of the District's Board of Directors.
- F-8 Harbor lessees opposed the 1996 contract which extended the agreement to provide water for 30 years. Because they are not currently represented on the District's Board, they feel they have no effective voice, and therefore no control or input, on water rates. They seek to have the County of Ventura unilaterally withdraw from its water service agreement with CIBCSO, even through they are represented on the Rate Review Committee.
- F-9 The 30 year contract allows the District to include in its water rates to the County, recovery of the District's costs arising from the joint powers agreement with the City of Port Hueneme to finance and build the water treatment plant, plus the District's own operating expenses.
- F-10 The lessess believe that the County has bound them and their businesses in an untenable agreement. They are opposed to continuing the status quo because of the relatively high cost of their water which is partially due to the cost of the new water treatment plant.
- F-11 The District may also adjust water rates, other than on an annual basis. Government Code Section 61621 provides that a CSD may adjust rates, as needed, at times other than the normal budget setting time. All prescribed public notices and public hearing requirements must be followed.
- F-12 Sewer, water and trash area billed by the District to its customers. Trash collection is provided by a franchisee of the District. The average bill in the District is \$78 per month for sewer, water and trash.
- F-13 Water customers in the Harbor are billed just for water delivered by the District. The average water bill for a Harbor restaurant is \$262 per month.

- F-14 The 30 year contract contains a binding arbitration clause to resolve disputes arising under the Water Services Agreement. If the County were to unilaterally withdraw from the 30 year agreement, the County would have to pay off most of the District's debt service incurred in financing the water treatment plant.
- F-15 The County also would have to pay the District to disconnect the current distribution system and to connect to a new system to make the District whole. Other expenses would be allowed to keep the District functioning after the County's withdrawal.
- F-16 At the Board of Supervisors meeting of July 13, 1999, the Board directed the Harbor Department to make preparations to withdraw from the contract and to prepare the required one-year withdrawal notice to CIBCSD. The Harbor Department was also directed to return to the Board of Supervisors within 60 days to report on its progress.
- F-17 The Harbor Department's report was due by September 13, 1999. As of May 2000, the matter is still under investigation and negotiation.

Conclusions

- C-1 Currently, CIBCSD is a party to several legally binding contracts and agreements. Among these agreements are the joint powers agreement with the Port Hueneme Water Agency, the Water Services Agreement with Ventura County, and the various annexations agreed to with Calleguas Municipal Water District and Metropolitan Water District of Southern California, allowing for connection to their water sources.
- C-2 Voter approval would be required to dissolve the District, just as it was required to create the District in 1982. Finally, \$3 million in bonds have been issued by the District. Any outstanding debt obligations in those bonds would have to be repaid. For these reasons, it would not be cost effective to dissolve the District at this time.
- C-3 The lessees believe that the County has bound them and their businesses in an untenable agreement. They are opposed to continuing the status quo because of the relatively high cost of their water which is partially due to the cost of the new water treatment plant.

Recommendations

- R-1 The County and the District should invoke the binding arbitration clause in the contract in an effort to avoid any costly County effort to withdraw from the 30-year contract established in 1996.
- R-2 By mutual agreement, the harbor lessees' concerns should be addressed in the arbitration proceedings.
- R-3 The Water Service Agreement should be amended to modify the future composition of WURRC. Instead of four resident/owners being selected from the District and approved by the district board there should only be three selected and the Board of Supervisors should appoint a member at large. The WURRC would then be composed of:
1. The Director of the County Harbor Department.
 2. Three Harbor lessee representatives.
 3. Three residents or property owners in the District.
 4. A member of the District's Board of Directors.
 5. One appointee by the Board of Supervisors.
- This change will provide the lessees an equal status with residents/property owners on the rate review committee.
- R-4 The CIBCSD should institute cost-saving measures to reduce the consumer's cost of water. The District's administrative costs should be borne by all District service customers proportionately.
- R-5 If cost effective benefits could be shown, the Port Hueneme Water Agency should make an effort to expand the area served to help reduce costs of the water used by all entities in the Port Hueneme subregion.

Responses Required

- Board of Supervisors (R-1, R-2, R-3)
- Chief Administrative Officer (R-1, R-2)
- Channel Island Beach Community Services District (R-1, R-3, R-4)
- Harbor Department (R-2, R-3)
- Port Hueneme Water Agency (R-3, R-4)

