

RESOLUTION NO. 3912**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PORT HUENEME ESTABLISHING PROCEDURES FOR INCREASING WATER, WASTEWATER AND SOLID WASTE FEES IN ACCORDANCE WITH THE REQUIREMENTS OF PROPOSITION 218**

The Council of the City of Port Hueneme does resolve as follows:

**SECTION 1:** The City Council finds and declares as follows:

- A. On July 24, 2006, the California Supreme Court confirmed that charges for water and wastewater services are subject to Proposition 218 procedures (*Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4<sup>th</sup> 205);
- B. The City Council anticipates that there will be future increases in water, wastewater and refuse rates. Adopting the policies and procedures set forth in this Resolution will help implement the requirements set forth in Article XIID of the California Constitution and help ensure that the rights of those persons that are authorized to protest service charges are preserved;
- C. Elections Code § 4000(c)(9) provides that any protest ballot proceeding required or authorized by California Constitution Articles XIIC or XIID may be conducted wholly by mail. In the event a protest ballot process is required, the City Council seeks to achieve higher awareness of those affected by the proposed increase, provide an orderly protest process for both those receiving the ballots and the City, insure to the extent practicable that there is some verification process regarding the protests received, and to reduce the costs of the protest ballot process; and
- D. Adopting this Resolution is in the public interest for the reasons set forth above and as further stated within Article XIID and the Proposition 218 and state legislation relating to the implementation of Proposition 218.

**SECTION 2:** The City Council adopts the procedures set forth in this Resolution for conducting all proceedings required by California Constitution Article XIID for utility fee (as defined below) increases. Where no specific procedures are imposed by Article XIID or the Proposition 218 Omnibus Implementation Act (Government Code §§ 53750, *et seq.*), the procedures set forth in this Resolution apply. This Resolution may be referred to as the "Proposition 218 Protest Proceedings Resolution."

**SECTION 3: Definitions.** Unless the contrary is stated or clearly appears from the context, the following definitions govern the construction of the words and phrases used in this Resolution. Words and phrases not defined by this chapter will have the meaning set forth in California Constitution Article XIID or the Proposition 218 Omnibus Implementation Act.

- A. "Act" means the Proposition 218 Omnibus Implementation Act found at Government Code §§ 53750, *et seq.*;
- B. "Article 13D" means California Constitution Article XIID, § 6;
- C. "Manager" means the City Manager or designee;
- D. "Property owner" has the same meaning set forth in Article 13D and also pursuant to the Act includes tenancies of real property where tenants are directly liable to pay the proposed water, wastewater or solid waste fee or charge;
- E. "Protest" means a written protest filed with the City Clerk in accordance with Article 13D, the Act, and this Resolution as described in Article 13D, § 6(a)(2);
- F. "Utility fee" means a fee or charge imposed for water, wastewater, or solid waste services provided to customers in accordance with the Port Hueneme Municipal Code ("PHMC"), and other applicable law, by the City of Port Hueneme;

**SECTION 4. Administration of Proceedings.** The City Manager, or designee, is authorized to implement this Resolution in a manner consistent with the California Constitution and other applicable law.

**SECTION 5. Notice.** Notice of a proposed utility fee increase is provided as follows:

- A. In general, the City will identify the record property owner(s) of each parcel to which the utility fee would be applied from its billing system database and/or the latest equalized tax roll produced by Ventura County. The City's Utility Billing database and the equalized tax roll is presumptive evidence of ownership of the land for voting purposes.
- B. If either the City's Utility Billing Database or Ventura County Recorder's website shows that more than one property owner has an interest in a parcel, all property owners (each property owner) must receive notice at the address shown for the property owner. Both property owners and parties financially responsible for paying the fee will be provided notice.

- C. The notice must be sent by first class mail at least forty-five (45) days before the date set for the public hearing on the utility fee.
- D. The form of the notice of hearing will be approved by the City Council and be on file with the City Clerk.
- E. The notice provided by these procedures, in accordance with Article 13D, supersedes and is in lieu of notice required by any other statutes to levy or increase a utility fee.
- F. The City Clerk, or designee, may certify the proper mailing of notices by an affidavit which constitutes conclusive proof of mailing in the absence of fraud.
- G. Failure of any person to receive notice does not invalidate the proceedings.

#### SECTION 6. Protests against Utility Fee Increases.

- A. The property owner(s) of parcels subject to the proposed fee increase are entitled to a single protest for each parcel. When a parcel is held as community property or in joint tenancy or as a tenancy in common, any spouse or joint tenant or tenant in common is presumed to have authority to cast a protest on behalf of such parcel.
- B. If the owner(s) of the property desire to designate a particular owner as the person authorized to cast the protest for such parcel, they may file with the City Clerk, at any time before the commencement of the public hearing or the date of the election, as the case may be, a written authorization of such designation, signed by all the owners of record, and acknowledged in the manner that deeds of real property are required to be acknowledged to entitle such deeds to be recorded in the Ventura County Recorder's Office.
- C. Executors, administrators, and guardians may cast a protest on behalf of the estate represented by them. If such representatives are shown on the latest assessment roll as paying taxes and assessments on behalf of the property owner(s), that fact establishes the right of such representative(s) to cast a protest. If such representatives are not shown on the latest assessment roll, the representatives may file with the City Clerk, at any time before the commencement of the public hearing, or the date of the election, as the case may be, certified copies of the written documentation establishing the legal representation.

- D. The protest of any public or quasi-public corporation, private corporation, or unincorporated association may be signed by any person so authorized in writing by the board of directors or trustees or other managing body thereof.
- E. The Manager is designated as the voting representative with respect to City-owned property.
- F. In any case where the documentation provided to the City Clerk in is ambiguous or unclear, the City Attorney will determine whether the documentation is adequate for the purpose provided.
- G. In the event a property owner loses or misplaces a protest ballot, upon request by the property owner the City will send by first class mail a replacement protest ballot unless a properly filled out protest ballot has already been received for the parcel of property.

#### SECTION 7. Public Hearing.

- A. Only protest ballots that (i) were provided by the City to the property owner in the form approved by the Council and (ii) are properly filled out and legibly signed by an eligible property owner is made will be counted as a valid protest. Only one protest shall be counted for each parcel of property regardless of the number of protests filed by property owners for the parcel.
- B. The City Clerk must stamp each written protest the date and time it is filed with the City Clerk for purposes of establishing whether the protest was filed before the close of the public testimony portion of the public hearing. No protest received after the close of the public testimony portion of the public hearing can be counted in determining the amount of protest, but the Council may, in its discretion, consider such protests in making its decision. Written protests may be withdrawn in writing at any time before the conclusion of the public testimony portion of the public hearing.
- C. At the time and place fixed for the hearing, or at any time to which the hearing is adjourned, the Council must:
  - 1. Hear all persons interested in the matter of the proposed fee increase;
  - 2. Hear all objections, protests or other written communications from any owner of property subject to the proposed utility fee; and

3. Take and receive oral and documentary evidence pertaining to the proposed fee increase.
4. The hearing may be continued from time to time, as the Council determines necessary to complete its consideration of the proposed fee increase.
5. If the Council determines, at the close of the public testimony portion of the public hearing, that votes were received from property owners representing a majority of the parcels subject to the proposed fee increase, the Council shall adopt a resolution setting forth the results of the protest ballot process and the proceedings shall then be closed and the utility fee cannot be approved by the City Council.
6. If the Council determines at the close of the public testimony portion of the public hearing that written protests were not received from property owners representing a majority of the parcels subject to the proposed utility fee, the Council shall adopt a resolution setting forth the results of the protest ballot process and then may by Ordinance change the utility fee so long as in an amount that does exceed the amount and methodology set forth in the public notices sent to the property owners.

SECTION 8. Environmental Review. This Resolution is exempt from review under the California Environmental Quality Act (California Public Resources Code §§ 21000, *et seq.*, "CEQA") and CEQA regulations (14 California Code of Regulations §§ 15000, *et seq.*) because it establishes rules and procedures to implement government funding mechanisms; does not involve any commitment to a specific project which could result in a potentially significant physical impact on the environment; and constitutes an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. Accordingly, this Resolution does not constitute a "project" that requires environmental review (see specifically 14 CCR § 15378(b)(4-5)).

SECTION 9. If any part of this Resolution or its application is deemed invalid by a court of competent jurisdiction, the city council intends that such invalidity will not affect the effectiveness of the remaining provisions or applications and, to this end, the provisions of this Resolution are severable.

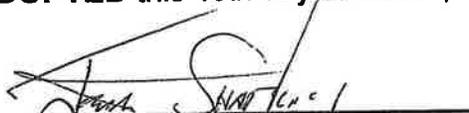
SECTION 10. Repeal of any provision of the Port Hueneme Municipal Code, or other Resolution, does not affect any penalty, forfeiture, or liability incurred before, or preclude prosecution and imposition of penalties for any violation occurring before this Resolution's effective date. Any such repealed part will

remain in full force and effect for sustaining action or prosecuting violations occurring before the effective date of this Resolution.

SECTION 11. The City Clerk is directed to certify the passage and adoption of this Resolution; and cause it to be entered into the City of Port Hueneme's book of original Resolutions.

This Resolution will take effect immediately day following its final passage and adoption.

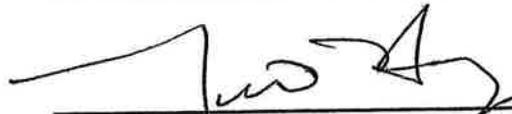
**PASSED, APPROVED, AND ADOPTED** this 18th day of March, 2009.

  
\_\_\_\_\_  
**JONATHAN SHARKEY**  
**MAYOR**

**ATTEST:**

  
\_\_\_\_\_  
**MICHELLE ASCENCION**  
**DEPUTY CITY CLERK**

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
**MARK D. HENSLEY**  
**CITY ATTORNEY**

**APPROVED AS TO CONTENT:**

  
\_\_\_\_\_  
**DAVID J. NORMAN**  
**CITY MANAGER**



# City of Port Hueneme

## CERTIFICATION

STATE OF CALIFORNIA )  
COUNTY OF VENTURA ) SS:  
CITY OF PORT HUENEME )

I, Michelle Ascencion, Deputy City Clerk of the City of Port Hueneme, do hereby certify that the foregoing **Resolution No. 3912** is a true and correct copy passed and approved at the Regular Meeting of March 18, 2009 by the City Council of the City of Port Hueneme by the following vote:

AYES: Council Members Douglas A. Breeze, Maricela P. Morales,  
Sylvia Muñoz Schnopp, Mayor Pro Tem Norman E. Griffaw,  
Mayor Jonathan Sharkey

NOES: None

ABSTAINING: None

ABSENT: None

  
Michelle Ascencion, Deputy City Clerk  
of the City of Port Hueneme and ex-  
officio Clerk of the Council

Dated: March 19, 2009





City of Port Hueneme  
City Clerk  
250 N. Ventura Rd.  
Port Hueneme, CA 93041

EXHIBIT "B"

## NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING ON PROPOSED WATER RATE ADJUSTMENTS

Property Address:

INSERT ADDRESS HERE  
(APN # TOO IF EASY)  
or print on envelope

The City of Port Hueneme provides water service to approximately 6,800 homes, apartments, and businesses. Due to an overdraft of the regional groundwater aquifers, the City relies on imported water for 100% of its water supply. Over the past year and a half, the City has been installing water meters on all of its accounts so that it can begin billing customers based on metered water use starting this summer.

The City's water utility relies primarily on water service charges to fund the costs of operations, maintenance, and wholesale water purchases. However, the City's water fund has experienced budget deficits in recent years and needs to increase rates in order to restore financial stability. Current water rates are not adequate to fund the City's costs of providing water service.

The City is proposing to phase in a series of water rate adjustments over the next four years. These adjustments include: a) rate increases needed to restore balanced budgets, and b) the inclusion of a new usage-based component for all water rates. The proposed rates are designed to comply with state laws, improve rate equity and fairness, and fund the City's costs of providing water service.

The proposed water rates are based on a study conducted by a utility rate consultant and incorporate input from the City's *Water Rate Advisory Committee*, a group of two City Council members, two business members, two local citizens and City Staff. This study is available for review in the Office of the City Clerk.

Due to the transition from fixed rates to a new variable rate structure, customers who use less water will experience lower water bills than those who use more water. All customers are encouraged to conserve water and help reduce their water bills.

### **Why Rate Adjustments Are Needed**

#### ***Regulatory Requirements & Fairness***

Historically, residential customers and some small businesses have paid a flat rate charge for water service regardless of the amount of water actually used. In order to comply with state regulations and to make water rates more equitable, the City plans to begin charging customers on a variable rate basis starting in August 2009.

#### ***Restore Balanced Budgets***

The City's water fund has experienced budget deficits in recent years. Rate increases are needed to restore the financial stability of the water utility and fund the cost of providing service.

#### ***Fund Wholesale Water Rate Increases***

The City is anticipating that it will have to pay more for each unit of water it purchases to meet the needs of City customers. Both United Water Conservation District and Calleguas Municipal Water District, from whom the City purchases water, are anticipating passing through wholesale water rate increases to the Port Hueneme Water Agency and its customers.

#### ***Repair & Replace Aging Pipelines***

The City maintains over 100 miles of water distribution pipelines, many of which were constructed in the 1940's and 1950's. These pipelines will need to be repaired or replaced in upcoming years as they reach the end of their useful lives. This will help ensure that the City can continue providing high-quality water to its customers 24 hours a day. The rates included in this notice will enable the City to begin addressing its most urgent infrastructure needs over the next four years.

### Proposed Water Rates

The City proposes to adopt the rates as shown on the following table for the next four years. The proposed rate structure for all customers includes two components: 1) a fixed monthly charge that is billed regardless of water use, and 2) a volume charge billed for each unit of metered water consumption. The volume rate applies to each hundred cubic feet (hcf) of water use; one hundred cubic feet (hcf) equals 748 gallons.

Example: Starting August 1, 2009 a typical home using 12 units of water (current median usage in Port Hueneme) will pay \$56.88 per month. This includes a fixed monthly charge of \$45.12 plus a volume charge of \$11.76 (12 units x \$0.98) per month resulting in a rate increase of about 15% or about \$7.40 per month.

	Current Rates	Proposed Water Rates				
		07/01/09	07/01/10	07/01/11	07/01/12	
<b>RESIDENTIAL/SMALL BUSINESS RATES</b>						
<b>Fixed Monthly Charge Per Unit</b>						
Single Unit Residential	\$49.48	\$45.12	\$44.45	\$42.16	\$37.62	
Multi-Unit Residential (Per Dwelling Unit)	42.82	40.56	41.46	40.74	37.62	
Small Business & Auxiliary Usage	55.20	49.03	47.02	43.38	37.62	
<b>Volume Charge (per hundred cubic feet)*</b>	0.00	0.98	1.75	2.76	3.80	
<b>COMMERCIAL/IRRIGATION METERED WATER RATES</b>						
<b>Fixed Monthly Meter Charge</b>						
<u>Meter Size</u>	<u>Meter Ratio</u>					
5/8 or 3/4-inch	1.0	17.06	21.82	25.24	28.68	31.13
1-inch	2.5	42.67	54.55	63.09	71.70	77.82
1.5-inch	5.0	85.35	109.10	126.19	143.41	155.63
2-inch	8.0	136.56	174.55	201.90	229.45	249.01
3-inch	15.0	256.05	327.29	378.56	430.22	466.89
4-inch	25.0	426.73	545.48	630.93	717.04	778.16
6-inch	50.0	853.48	1,090.95	1,261.85	1,434.07	1,556.31
8-inch	80.0	1,365.56	1,745.53	2,018.97	2,294.52	2,490.10
10-inch	115.0	1,962.99	2,509.19	2,902.26	3,298.37	3,579.52
<b>Volume Charge (per hundred cubic feet)*</b>		1.90	2.96	3.51	4.09	4.48

\* Volume charges are subject to additional increases due to passthrough of wholesale water costs.

### Passthrough for Wholesale Water Rate Increases

Any increases in the City's wholesale cost of water, as calculated per hundred cubic feet of water (hcf), may be passed through on the City's water Charges. For example, if the City's cost of wholesale water increases by \$0.10 per hcf, then the City's Volume Charges would also increase by \$0.10 per hcf. The City will provide written notice to all customers prior to passing through any wholesale water rate increases. However, under no circumstance will the City's water rates exceed the cost of service.

### Notice of a Public Hearing on Proposed Water Rate Adjustments

Pursuant to Article 13D of the California Constitution, the City Council will hold a Public Hearing on the proposed water rates on **Monday, June 1, 2009 beginning at 6:30 p.m.** in the City of Port Hueneme City Council Chamber located at 250 N. Ventura Rd. Port Hueneme, CA 93041. Please check the City's website ([www.ci.port-hueneme.ca.us](http://www.ci.port-hueneme.ca.us)) for information regarding the City Council meeting and the proposed water cost increase.

## IMPORTANT INFORMATION:

**you oppose an increase to your water rate charge and wish to protest this action, you must do the following:**

- 1) Check the box on the form below indicating you protest the proposed water rate charge increase;
- 2) Print and sign your name on the lines provided;
- 3) Cut or tear off the form where indicated;
- 4) Deliver the signed form to the City Clerk prior to the close of the public hearing that is scheduled for 6:30 p.m. on June 1, 2009 by one of the following methods: U.S. mail addressed to City Clerk/Water Rates, City of Port Hueneme, 250 N. Ventura Road, Port Hueneme, CA 93041 – or – hand deliver to the City Clerk's office at the same address – or – bring the form to the June 1, 2009 City Council meeting and deposit it in the box provided for this purpose prior to the close of the public hearing. You may also address the City Council regarding the proposed rate increase during the public hearing. **The enclosed form must be properly filled out and received by the City prior to the close of the public hearing to be counted. If protests are filed on behalf of a majority of the parcels in the City prior to the close of the June 1, 2009 public hearing, the City cannot adopt the proposed water rate increase. If a majority of the parcels do not protest the proposed increase, the City has the authority to adopt the proposed water rate increase. Any rate increase, if enacted, will take effect no earlier than August 1, 2009.**

If you need more information, please contact the City's Water Division at (805) 986-6563.

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- I protest the proposed water rate increase  
 Me opongo al aumento de cargos por servicio de desagüe

\_\_\_\_\_  
Print Legibly – Full Name  
Nombre completo (letra de molde)

\_\_\_\_\_  
Signature  
Firma

Return to: City Clerk/Water Rates, City of Port Hueneme, 250 N. Ventura Road, Port Hueneme CA 93041 Prior to close of public hearing on June 1, 2009

Enviar a: City Clerk/Water Rates, City of Port Hueneme, 250 N. Ventura Rd., Port Hueneme, CA 93041 antes del cierre de la audiencia pública preliminar del 1 de Junio del 2009.

APN  
NAME  
PROPERTY ADDRESS





# City of Port Hueneme

## COUNCIL AGENDA STAFF REPORT

**TO:** City Council

**FROM:** Andres Santamaria, Public Works Director

**SUBJECT:** CALL FOR NOTICE OF PUBLIC HEARING AND UTILIZATION OF PROPOSITION 218 MAJORITY PROTEST PROCEDURE REGARDING PROPOSED WATER RATE ADJUSTMENTS

**DATE:** March 18, 2009

### RECOMMENDATION:

The Water Rate Advisory Committee recommends the City Council:

1. Call for a public hearing to be scheduled for June 1, 2009 at 6:30 p.m. regarding a proposed water rate adjustment;
2. Approve the Proposition 218 Notice to Property Owners of a Public Hearing on Proposed Water Rate Adjustments and the Schedule of Proposed Water Rate Adjustments included in the Water Volumetric Rate Study;
3. Authorize staff to proceed with the public noticing and majority protest procedures set forth in Proposition 218; and
4. Adopt a Resolution setting forth procedures for mailing, processing and counting Proposition 218 protest ballots.

### FISCAL IMPACT:

Total expenditure to process the Proposition 218 mailing is approximately \$6,200. This cost will be accommodated within existing budget appropriations.

### RELATIONSHIP TO THE STRATEGIC PLAN:

The recommended action helps to fulfill Initiative No. 1, Balanced Budget and Initiative No. 4, Provide a Fully Funded Water Program by raising revenues in an amount sufficient to ensure that the Water Enterprise Fund can maintain basic

## **NOTICE OF PUBLIC HEARING – WATER RATE ADJUSTMENT**

**March 18, 2009**

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water delivery, operations and maintenance activities through appropriate revenue generation.

### **BACKGROUND/ANALYSIS:**

Assembly Bill No. 2572, which was approved on September 29, 2004 required an urban water supplier, on or before January 1, 2025 to install water meters on all municipal and industrial water service connections that were located in its service area. The bill also required an urban water supplier, beginning on or before January 1, 2010 to charge each customer with a water meter service connection on the actual volume of water delivered.

Prior to the start of the Water Meter Installation Project, 1,400 residential and 358 commercial meters were connected to the City's water system out of 6,500 customers. A decision was made that all customers should have meters installed prior to the start of volumetric billing. The Water Meter Installation Project is nearing completion with one more phase starting in March.

On November 19, 2008, the City Council authorized staff to contract with Bartle Wells Associates to conduct a water volumetric rate study. The goal of the rate study was to ensure fees and charges were distributed in a fair and equitable manner and were adequate to ensure the continued fiscal health of the Water Enterprise Fund.

On January 9, 2009, the City Council transitioned the Water Meter Advisory Committee to the Water Rate Advisory Committee (WRAC), which is comprised of two Council members, two business members, two community members and City staff.

On January 29, 2009, the WRAC met with Bartle Wells Associates staff to discuss the goals and potential options regarding the setting of rates. On February 12<sup>th</sup>, the WRAC again met with the consultant to review the preliminary findings. On March 2<sup>nd</sup>, the WRAC met to review the proposed water rate adjustments as recommended by the consultant.

Importantly, the new rates include all expenses necessary to ensure the financial self-sustainability of the Water Fund, repayment of the General Fund loans on a fully-conforming basis, and the accumulation of appropriate capital reserves to ensure the integrity of the aging distribution system.

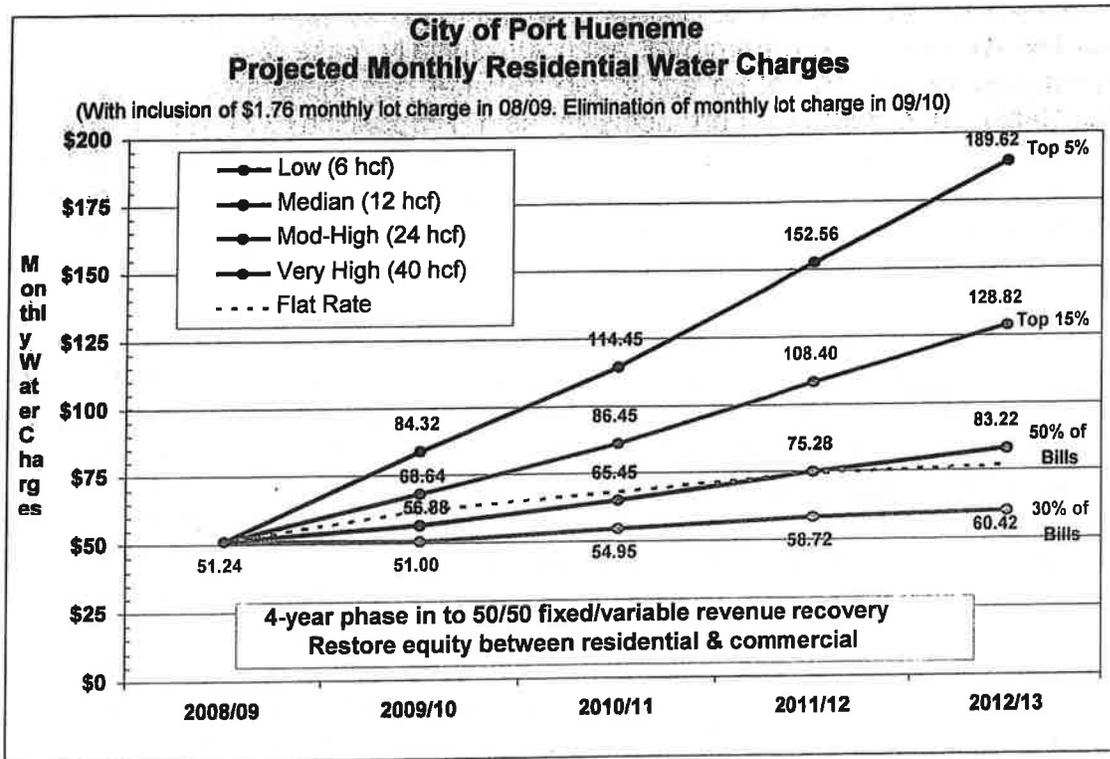
Several items were used in the water rate study conducted by Bartle Wells Associates to ensure that the proposed rates would be fair and equitable to all customer classifications. The consultant reviewed long-term capital improvement plans, current and projected revenue requirements, made a comparison of existing revenues under existing rates by customer class, and performed a cost of service analysis. The cost of service analysis took into account the various customer classes and allocated costs based upon the demand that the various

# NOTICE OF PUBLIC HEARING – WATER RATE ADJUSTMENT

March 18, 2009

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classes placed upon the water distribution system; and the varying capacity of different meter sizes throughout the water system to meet peak water demands.



Past water billing procedures were based on using a flat rate system. Some residential customers had meters installed prior to the current water meter installation project, but were billed a flat rate regardless of the amount of water they used. Metered *non-residential* customers were billed based upon the size of their meters and the amount of water used. The proposed volumetric rates will phase in a billing system change to transition to a 50/50 fixed/variable billing system over a period of four years. This means that in year 2012/13, customers' bills will be based on a fixed fee (50% of the bill) and on the volume of water used (50% of the bill).

The water rate adjustment, if approved, would become effective August 1, 2009 to ensure the Water Enterprise Fund's financial stability and to minimize the Fund's dependence on General Fund loans. Currently, when the Water Fund has a deficit or requires capital funds, the General Fund must loan or give funds to the Water Fund, which generates fiscal pressure on the General Fund's ability to provide services.

Two public education and outreach meetings will be held prior to the June 1, 2009 Council meeting to provide information to the public and to answer questions. The date, time and location of these meetings will be advertised once finalized.

## **NOTICE OF PUBLIC HEARING – WATER RATE ADJUSTMENT**

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### Proposition 218

In November 1995, the California electorate approved Proposition 218 that requires certain procedures be followed with regard to “property-related” fee increases imposed by governmental agencies. Initially, case law indicated that these procedures would not be applicable to water rate increases. However, a 2006 California Supreme Court decision held Proposition 218 fee increase procedures must be followed for any proposed increases to the City’s water rates. In short, water rate increases are subject to a “majority protest” process that provides if a majority of the parcels in the City protest the proposed rate increase the City cannot impose the increase.

Just as there initially was some disagreement between lawyers and court decisions regarding which fees were subject to Proposition 218, there is currently a disagreement with respect to the protest ballot process. Specifically, there is a disagreement amongst attorneys that represent public agencies (and potentially between the language approved by the voters and some recent legislation) as to whether tenants that pay for fees covered by Proposition 218 must be afforded the opportunity to protest proposed fee increases. Last year the state legislature attempted to clarify this issue by passing legislation that on its face requires tenants be afforded the opportunity to protest such fee increases. The City Attorney’s Office believes the legislation is not consistent with Proposition 218 and believes it is potentially invalid since the language in Proposition 218 stated that the notice regarding the protest process must be sent to the “record owner” and the owner was the only person that had the right to file the protest.

Despite the City Attorney’s opinion on this matter, staff and the City Attorney agree that the most conservative approach is to send the protest ballots to the property owners and tenants, if the tenant is the water customer. The City is only required to count one protest per parcel. Accordingly, even if both the owner and tenant file a protest, only one protest shall be counted for purposes of determining whether there is a “majority protest” as described below.

Proposition 218 requires that the City provide all properties receiving the service for which the fee is charged (in this case, water treatment and distribution) with a minimum of 45 days written notice prior to Council holding a public hearing on a proposed rate increase. The property owners, and now tenants, have the ability to “protest” the proposed rate increase until the close of the public hearing. If a majority of the parcels file written protests with the City prior to the close of the public hearing, Proposition 218 states that the City cannot implement the proposed increase. If a majority of the parcels do not protest the proposed increase, the Council has the authority to implement the proposed rate increase.

In accordance with Proposition 218 requirements, several steps have been taken to comply with the law. Drafts of a Notice to Parcel Owners of a Proposed Rate Increase and a Notice of a Public Hearing set for June 1, 2009 at 6:30 p.m., and a Schedule of Proposed Water Rate Adjustments have been prepared and are

## **NOTICE OF PUBLIC HEARING – WATER RATE ADJUSTMENT**

**March 18, 2009**

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attached for Council review and comment. The notices also will be translated into Spanish. The most current assessor's parcel roll from the Ventura County Assessor's office has been obtained and a direct mailing to each parcel owner within the City limits will be made. Additionally, to the extent a tenant rather than a property owner is the water customer, a protest notice will be sent to the tenant utilizing the water billing address that the City has on file. Staff is prepared to produce the required bilingual notices and mail out to all property owners by April 17, 2009.

Finally, staff is recommending that Council adopt the attached resolution for purposes of setting forth some rules and regulations regarding the process for distributing, processing and counting protest ballots. The rules and regulations are consistent with Proposition 218, legislation relating to Proposition 218 and the process outlined above. For example, it states who will be sent notices and ballots, which department at the City is responsible for receiving and storing the ballots, the process for counting the ballots, and a process by which replacement ballots may be requested.

### Public Outreach Events

In addition to the Proposition 218 notice, the Water Rate Advisory Committee will be holding two public outreach events in late April or May to inform the public of the new proposed rates and how they work. The format of the meetings will be similar to those held in conjunction with the City's Half-Cent Sales Tax Measure. Once planned, notices will be placed in the local newspaper, through E-News and on the City's website

### Alternatives:

The following alternatives are presented for Council consideration:

- Approve the recommendation;
- Modify the recommendation and approve;
- Reject the recommendation and/or provide direction to staff.

### Attachments

- Proposition 218 Notices to Property Owners of Public Hearing on Proposed Water Rate Adjustment
- Water Volumetric Rate Study
- Resolution



# CITY OF PORT HUENEME

## **Community Information Workshop Proposed Water Rate Adjustment**



**May 7, 2009**

## **Workshop Presentation**

1. Introductions
2. Why Did I Get More Than One Water Rate Adjustment Notice?
3. Water Volumetric Rate Study: How Will This Affect My Bill?
4. How Can I Reduce My Bill?
5. Questions/Discussion

# Introductions

## **City Council**

Mayor **Jonathan Sharkey**  
Mayor Pro-Tem **Norman Griffaw**  
Council Member **Doug Breeze**  
Council Member **Maricela Morales**  
Council Member **Sylvia Muñoz-Schnopp**

## **Water Rate Advisory Committee**

Chair: Councilmember **Doug Breeze**  
Vice-Chair: Citizen Representative **Ada Seto**  
Council Member **Sylvia Muñoz-Schnopp**  
Citizen Representative **Joann Barle**  
Chamber of Commerce Business Representative **Jim Daniels**  
Chamber of Commerce Business Representative **Charlotte Gesling**

# Introductions

## **City Staff**

City Manager **Dave Norman**  
Public Works Director **Andy Santamaria**  
Finance Director **Robert Bravo**  
Water Superintendent **Steve Hickox**  
Administrative Specialist **Heather Hinman-Navarro**

## **Water Rate Consultant**

**Alex Handlers**, Bartle Wells Associates  
**Adam Lynch**, Bartle Wells Associates

## Why Did I Get More Than One Rate Adjustment Notice?

- Utility rate adjustments are subject to the majority protest ballot process approved by voters in 1995 under Proposition 218.
- Under Prop 218 both the Property Owner and the Ratepayer must receive the notice via First Class Mail.
  - The Property Owner and/or the Ratepayer may submit a protest ballot.
  - Only one protest ballot per parcel is counted.
- Identification of the Property Owner is through the County Assessor's most recent equalized tax roll. If there is more than one interest in the property with the same address, the Property Owner may receive more than one notice, based on the tax roll alone.

## Why Did I Get More Than One Rate Adjustment Notice?

- For any given property, if the name on the Assessor's tax roll does not match EXACTLY the name in the City's Ratepayer database, the property owner could receive a minimum of one notice based on the Assessor's roll and another based on the City's Ratepayer database.
  - Example:
    - Ms. Smith buys a home in Port Hueneme as **Janet M. Smith**.
    - Ms. Smith signs up for Port Hueneme utility service as **J. M. Smith**.
    - Ms. Smith would receive two water rate adjustment notices.
- If the property is sold after July, then previous owners will show up in the Assessor's roll which is updated each year in July.
- What About Duplicates of Exact Names?
  - The printing contractor reprinted a portion of the mailing database after the printer jammed. Most of the duplicates seem to have occurred with Hueneme Bay addresses, which are at the front of the mailing database.

# CITY OF PORT HUENEME

## Water Volumetric Rate Study Findings & Recommendations



May 7, 2009



BARTLE WELLS ASSOCIATES  
Independent Public Finance Advisors



## Overview

- Objectives
- Project Schedule
- Water Use
- Rate Survey
- Financial Plan
- Drivers of Rate Increases
- Volumetric Rate Phase-In
- Proposed Rates & Impacts





## Objectives

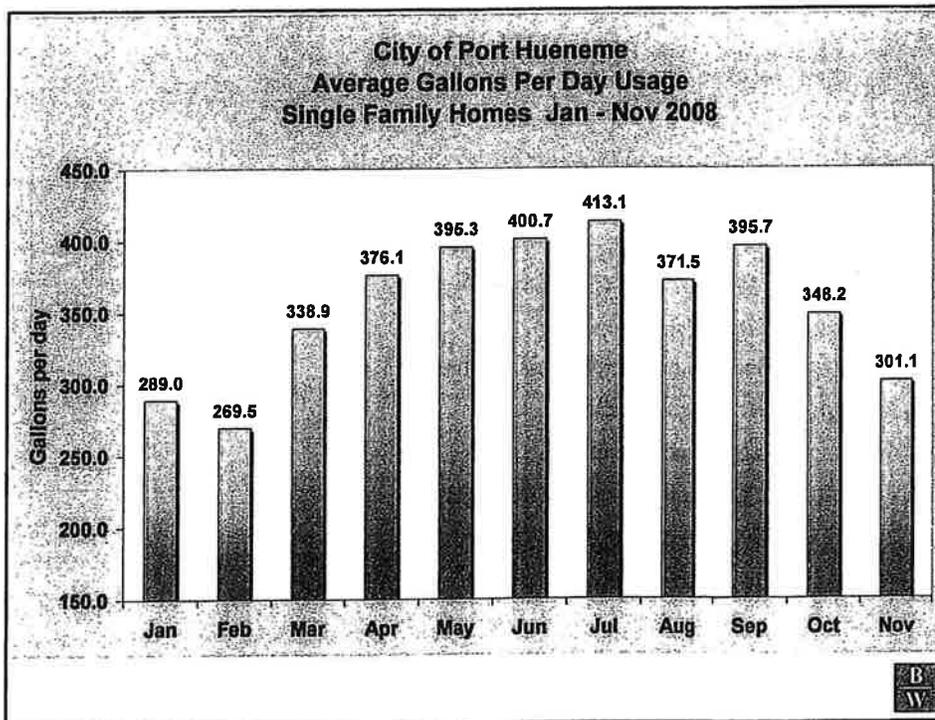
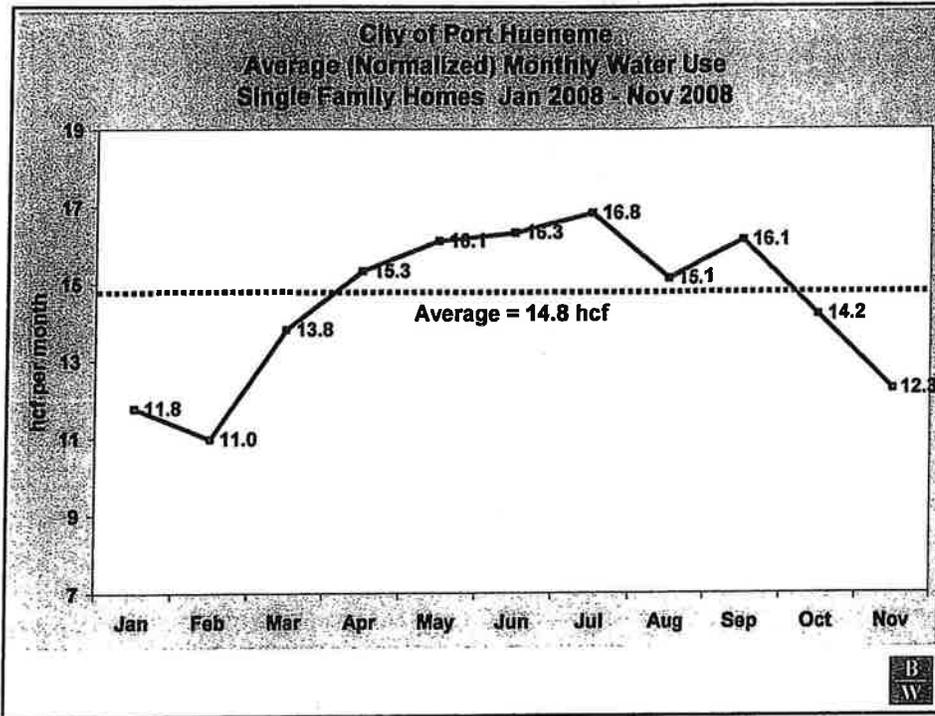
- **Develop long-term water enterprise financial projections to determine annual revenue requirements**
- **Evaluate rate alternatives for transitioning from flat residential rates to a new water rate structure with a volumetric component**
- **Analyze metered water use data**
- **Calculate new water rates that:**
  - **Achieve financial objectives**
  - **Include the new residential volumetric rate component**
- **Phase in rate increases (to extent possible)**
- **Incorporate input from staff & Water Rates Advisory Committee**

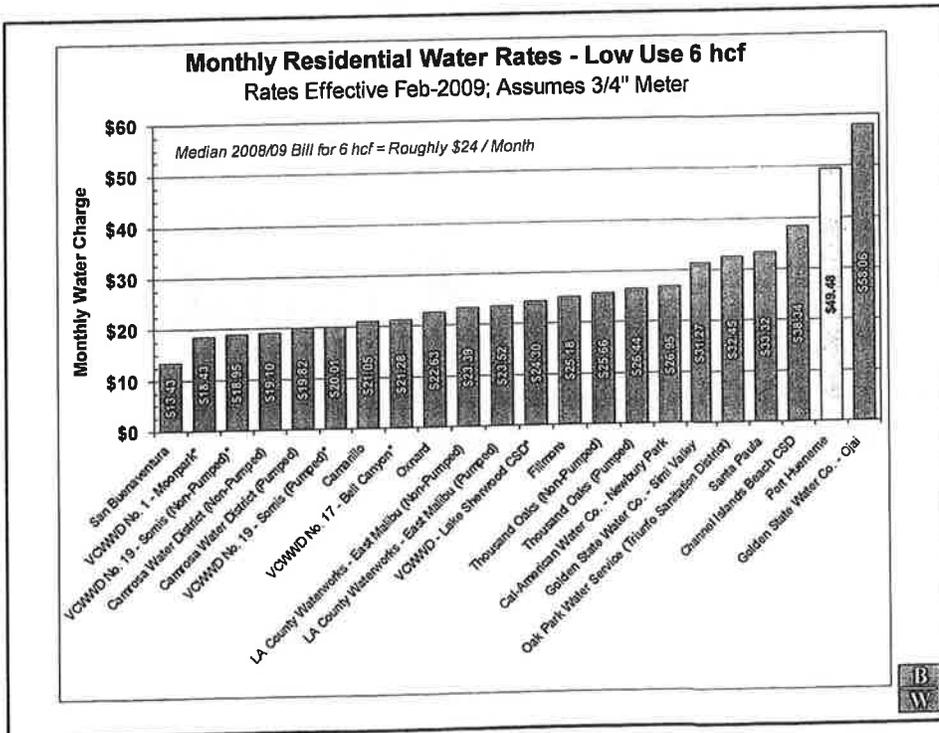
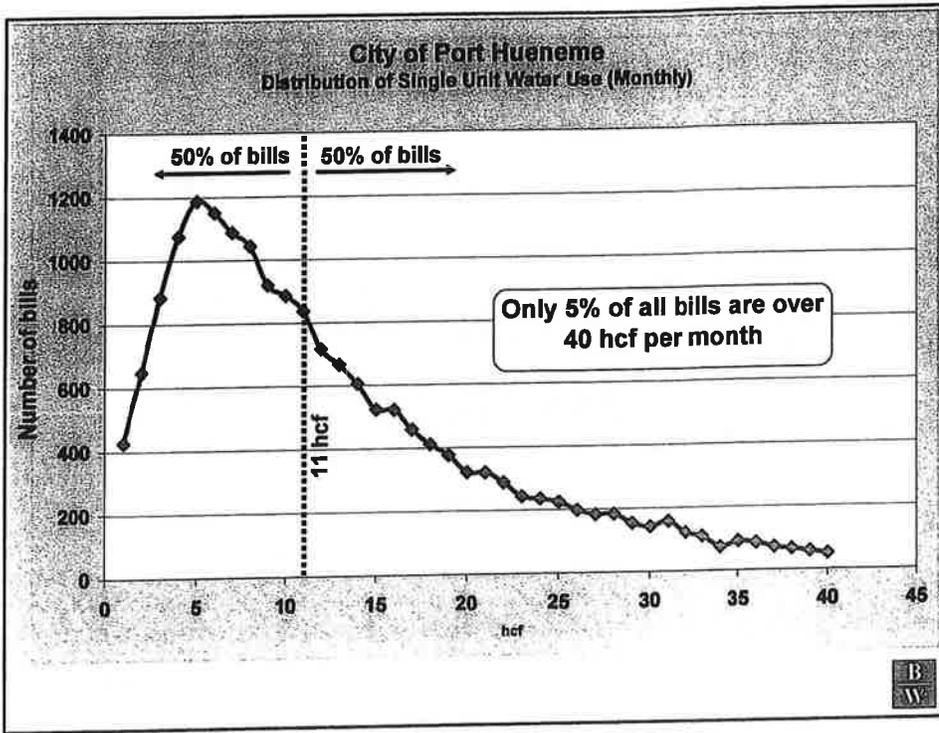


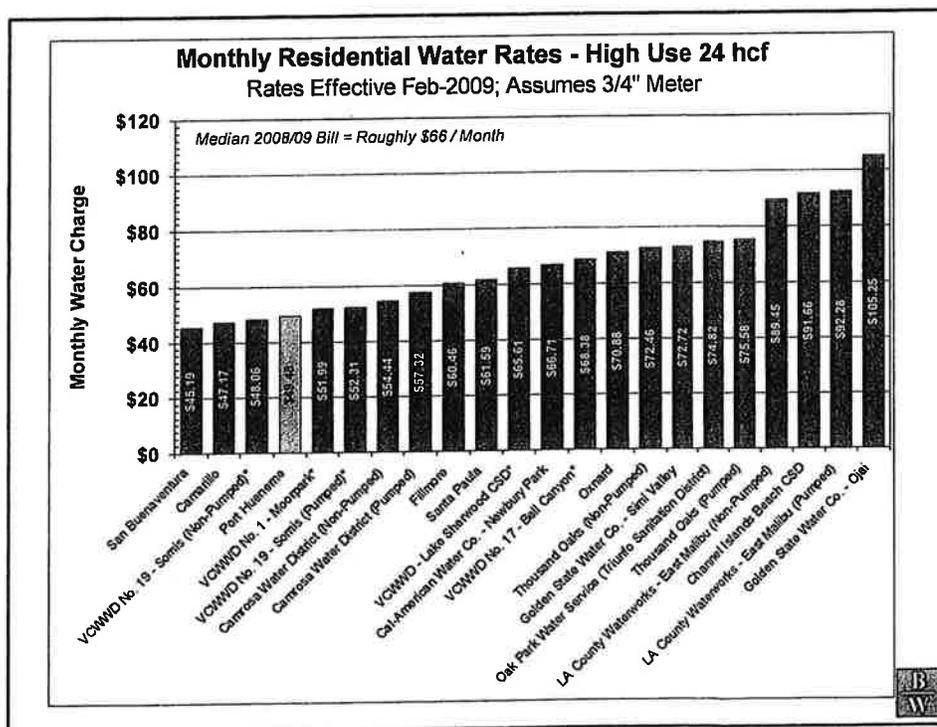
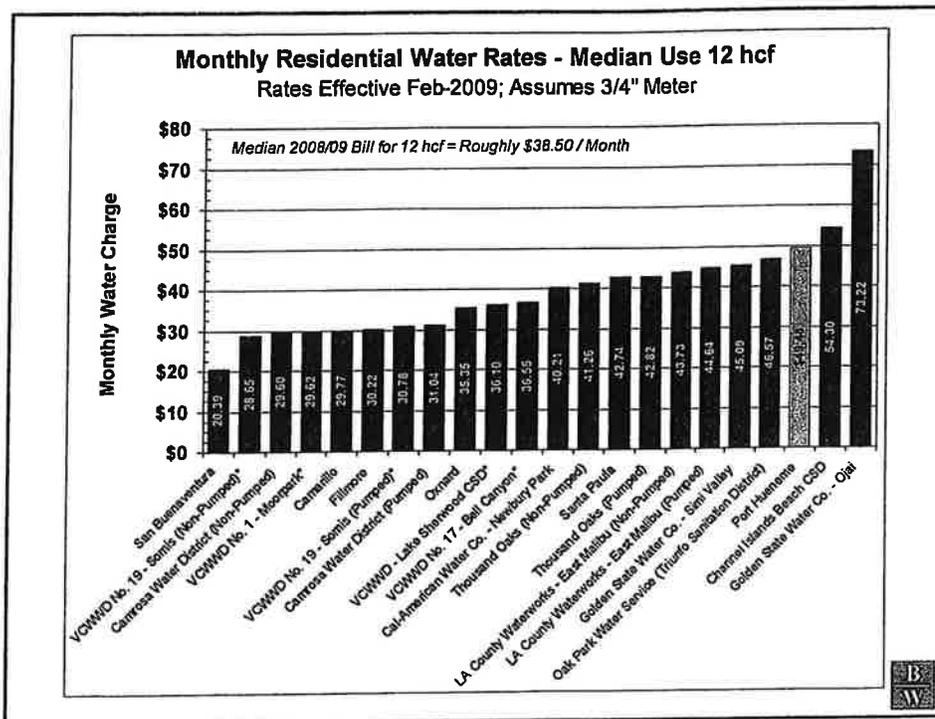
## Project Schedule

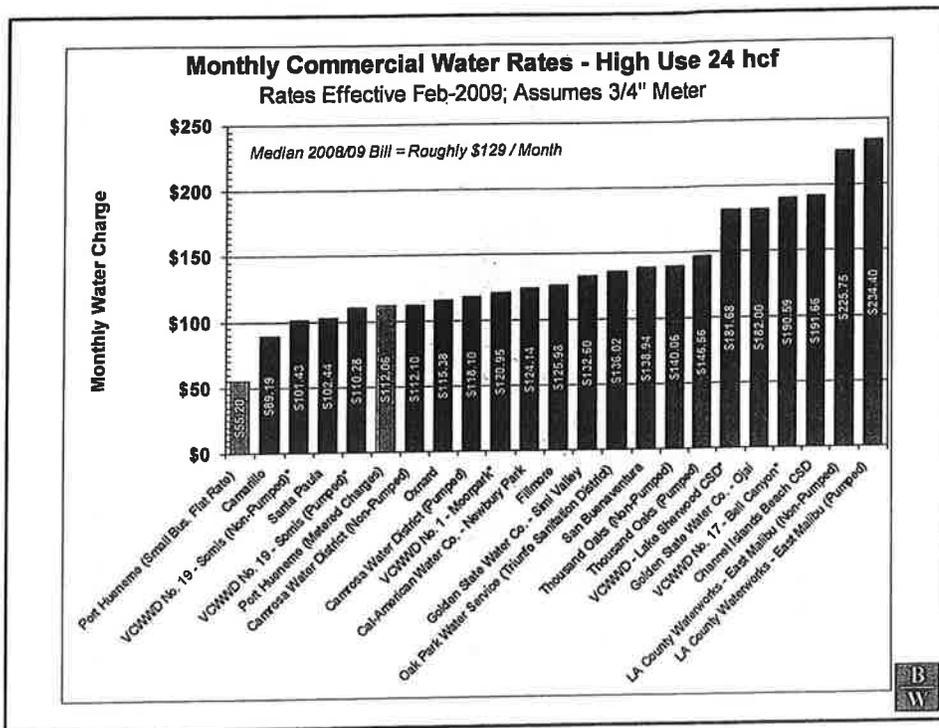
- **City almost completed with water meter installations**
- **Jan 2009 – Initiate Water Rate Study**
- **Feb/Mar – 3 Meetings with City staff & Water Rates Advisory Committee**
  - **Present findings, discuss options, receive input**
- **March 18 – City Council Meeting**
  - **Present Final Draft Findings & Recommendations**
- **Mid-April – Prop. 218 Notices Mailed**
- **May – Public Outreach Meetings**
- **June 1 – City Council Meeting, Public Rate Hearing**
- **June 15 – City Council Meeting, Second Reading**
- **August 1 – New rates in effect on all bills sent out after this date**









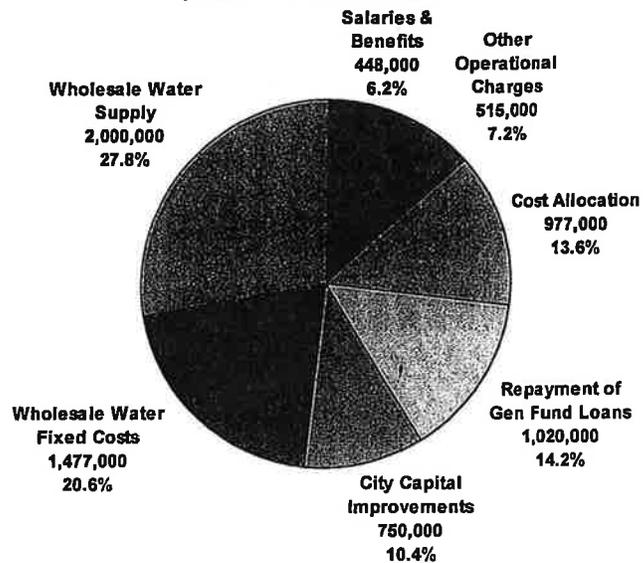


## Financial Plan

- **Key objectives**
  - Fund operating & maintenance expenses
  - Repay outstanding loans from General Fund
  - Phase in adequate funding for repairs/replacements
  - Achieve minimum fund reserve targets
- Long-term cash flow projections developed to determine annual revenue requirements
- Phase in rate increases to achieve revenue targets

## Projected 2013/14 Water Enterprise Expenses

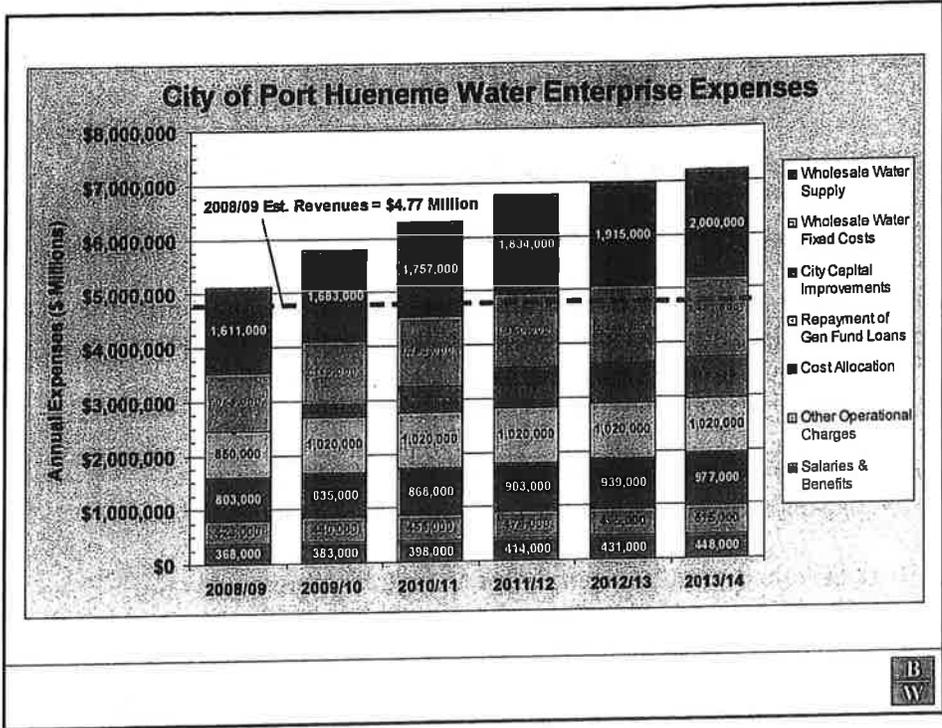
(Total = \$7.2 Million)



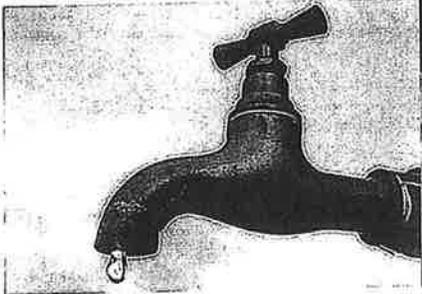
## Drivers of Rate Increases

- **Wholesale water costs**
  - Projected wholesale rate increases for both CMWD & UCWD
- **Repairs & replacements**
  - Phased in to \$250,000 to \$500,000 to \$750,000 over next 3 years
  - City's aging pipelines include 10 miles of pipelines 70+ years old
- **Repay loans from General Fund**
  - \$15.9 million outstanding (annual payment = roughly \$1 million)
- **Ongoing cost inflation est. at 4% & higher cost allocation**
- **Reduction in water demand due to transition to metered rates**
  - Decrease in demand est. at 7% - 5% - 5% - 2% - 1%
- **Achieve fund reserve targets over next 5 – 7 years**





## Proposed Water Rates





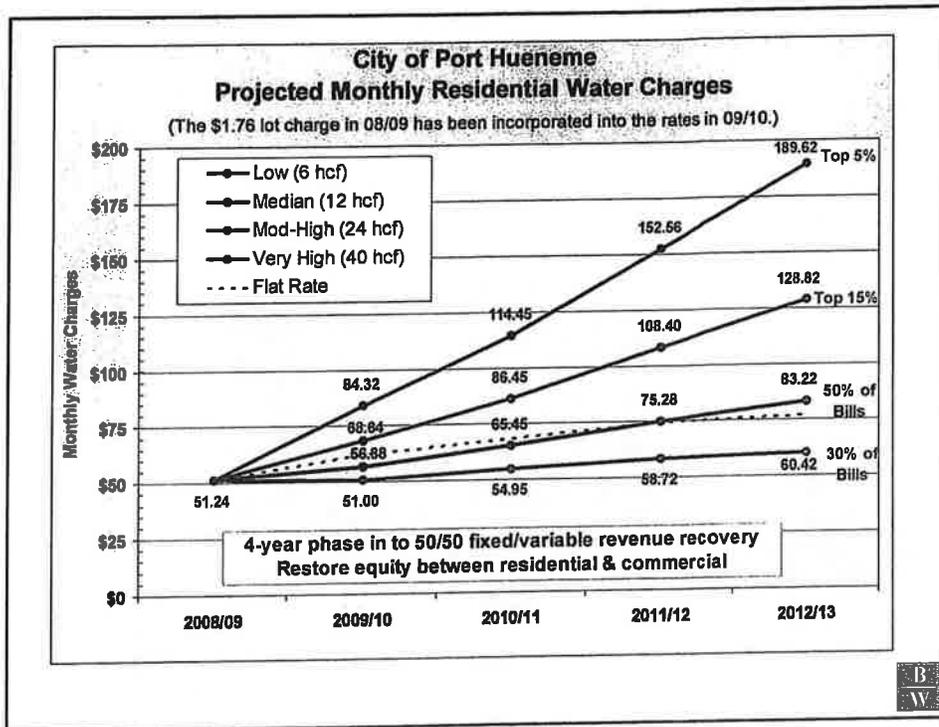
# Water Rate Structure

- 4-year phase in from current flat rates to 50% fixed & 50% variable revenue recovery
  - Volume charges 20% - 30% - 40% - 50%
- 4-year gradual phase out of difference between fixed charge for single family, multi-family, and small business customers
  - The differences between the rates for these customers was based on differences in water use; they will now be paying for water use
- Maintain existing Commercial/Irrigation rate structure
  - Based on roughly 40% fixed % 60% variable revenue recovery
- Incorporate the \$1.76 monthly lot charge into the new water rates.



# Projected Rates

	Current Rates	Projected Water Rates				
		07/01/09	07/01/10	07/01/11	07/01/12	
Overall Rate Revenue Increase		18%	14%	12%	8%	
<b>RESIDENTIAL/SMALL BUSINESS RATES</b>						
<b>Fixed Monthly Charge Per Unit</b>						
Single Unit Residential	\$49.48	\$45.12	\$44.45	\$42.16	\$37.62	
Multi-Unit Residential (Per Dwelling Unit)	\$42.82	\$40.56	\$41.46	\$40.74	\$37.62	
Volume Charge (per hundred cubic feet)	\$0.00	\$0.98	\$1.75	\$2.76	\$3.80	
<b>COMMERCIAL/IRRIGATION METERED WATER RATES</b>						
<b>Fixed Monthly Meter Charge</b>						
Meter Size	Meter Ratio					
5/8 or 3/4-inch	1.0	\$17.06	\$21.82	\$25.24	\$28.68	\$31.13
1-inch	2.5	\$42.67	\$54.55	\$63.09	\$71.70	\$77.82
1.5-inch	5.0	\$85.35	\$109.10	\$126.19	\$143.41	\$155.63
2-inch	8.0	\$136.56	\$174.55	\$201.90	\$229.45	\$249.01
3-inch	15.0	\$256.05	\$327.29	\$378.56	\$430.22	\$466.89
4-inch	25.0	\$426.73	\$545.48	\$630.93	\$717.04	\$778.16
6-inch	50.0	\$853.48	\$1,090.95	\$1,261.85	\$1,434.07	\$1,556.31
8-inch	80.0	\$1,365.56	\$1,745.53	\$2,018.97	\$2,294.52	\$2,490.10
10-inch	115.0	\$1,962.99	\$2,509.19	\$2,902.26	\$3,298.37	\$3,579.52
Volume Charge (per hundred cubic feet)		\$1.90	\$2.96	\$3.51	\$4.09	\$4.48

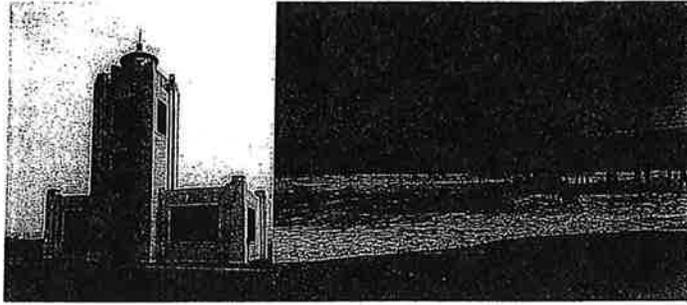


## How Can I Reduce My Bill?

- For the first time in Port Hueneme's history, the residential customer can make choices to influence their bill.
  - Metered use gives the customer important information about their water use.
  - Use more water; pay more
  - Use less water; pay less (contact Water Department for conservation ideas)
  - Ability to control bill increases in future years as the volumetric component increases to 50% of the rate (20% to 50%)
- CARE Program
  - 20% discount on Edison electric bill, and on all City water, sewer, and trash bills.
  - 100% elimination of the Utility User's Tax
  - Income-qualified program open to all age groups
  - Sign-up instructions available at this meeting



## Questions / Discussion





# **City of Port Hueneme**

## **Water Volumetric Rate Study**

***Final March 18, 2009***



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS

# Port Hueneme Rate Study

## Schedule *Updated 3-11-09*

Mar 2009							Apr 2009							May 2009							Jun 2009							Jul 2009						
S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S
1	2	3	4	5	6	7			1	2	3	4					1	2		1	2	3	4	5	6				1	2	3	4		
8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
29	30	31	26	27	28	29	30	24	25	26	27	28	29	30	28	29	30	26	27	28	29	30	31											

### JANUARY

- Jan            Project kickoff
- Jan-29      Project Team Meeting & Water Rates Advisory Committee Meeting

### FEBRUARY

- Feb-12      Water Rates Advisory Committee Meeting
- Feb-26      Send revised presentation to City for review

### MARCH

- Mar-2        City Project Team Meeting at 1:30
- Mar-2        Water Rates Advisory Committee Meeting at 3:30
- Mar-11      Council Packets Due for Mar-18 Council Meeting
- Mar-18      City Council Meeting at 7:00 - Present Preliminary Findings & Recommendations
- Mar-25      Potential Special City Council Meeting to Approve Prop. 218 & set Public Hearing date if needed

### APRIL

- Apr-15      Last day to mail Prop. 218 notices for Jun-1 Rate Hearing
- Apr\_\_        Potential public education & outreach efforts

### MAY

- May\_\_        Potential public education & outreach efforts

### JUNE

- Jun-1        City Council Meeting at 6:30 - Hold Prop. 218 Rate Hearing, consider adoption of new water rates
- Jun-15      City Council Meeting - 2nd Reading, Adopt Ordinance

### JULY / AUGUST

- Aug-1        Target date for new rates to go into effect

#### City Council Meetings:

Through April 5: 1st & 3rd Wednesdays at 7:00 pm  
 After April 5: 1st & 3rd Mondays at 6:30 pm  
 Council Packets due 2 weeks in advance)

**Table 1**  
**City of Port Hueneme**  
**Current Monthly Water Rates**  
**Effective 02/01/08**

**NON METERED WATER RATES**

*Flat Monthly Charge (for unlimited water use)*

Residential Single Unit	\$49.48
Residential Multi-Unit (Per Dwelling Unit)	42.82
Small Business & Auxiliary Usage	55.20

**METERED WATER RATES (3 Components)**

**1 - Fixed Monthly Meter Charge**

<u>Meter Size</u>		<u>Ratio to 5/8 or 3/4"</u>
5/8 or 3/4-inch	17.06	1.00
1-inch	42.67	2.50
1.5-inch	85.35	5.00
2-inch	136.56	8.00
3-inch	256.05	15.01
4-inch	426.73	25.01
6-inch	853.48	50.03
8-inch	1,365.56	80.04
10-inch	1,962.99	115.06

**2 - Volume Charge (per hcf\*)** 1.90

**3 - Fireline (when applicable)**

<u>Service Size</u>	
2-inch	3.12
4-inch	18.55
6-inch	51.43
8-inch	107.98

\* Note: 1 hcf = 1 hundred cubic feet = approximately 748 gallons of water.

**Table 2**  
**City of Port Hueneme**  
**Existing Customers and Revenues**

<u>Flat rate accounts</u>	Estimated <u>Units</u>	Annual revenue <u>2008/09</u>
Single unit residential	2,369	\$1,406,617
Multi-unit residential	4,003	2,056,902
Small business	<u>40</u>	<u>26,496</u>
Total	6,412	\$3,490,015
<u>Metered accounts</u>	Estimated <u>Meters</u>	Annual revenue <u>2008/09</u>
Commercial/Irrigation		
5/8 or 3/4-inch	50	10,236
1-inch	100	51,204
1.5-inch	100	102,420
2-inch	75	122,904
3-inch	25	76,815
4-inch	5	25,604
6-inch	1	10,242
8-inch	0	0
10-inch	<u>2</u>	<u>47,112</u>
Total	358	\$446,536
	Estimated <u>Water Use (hcf) <sup>1</sup></u>	Annual revenue <u>2008/09</u>
Volume charge (all water consumed)	300,000	\$570,000
<u>All accounts</u>		
Monthly lot charge		\$113,541
Total estimated revenue >>>>		\$4,620,092
2008/09 Budget >>>>		4,700,000

<sup>1</sup> Estimated based on 3-year average metered water use.

**Table 3**  
**City of Port Hueneme**  
**Projected Total Meter Count - July 1, 2009**

<u>Meter size</u>	<u>Number</u>	<u>Meter Ratio</u>	<u>5/8" Equivalents</u>
5/8 or 3/4-inch	4,258	1.0	4,258
1-inch	227	2.5	568
1.5-inch	424	5.0	2,120
2-inch	229	8.0	1,832
3-inch	25	15.0	375
4-inch	5	25.0	125
6-inch	1	50.0	50
8-inch	0	80.0	0
10-inch	<u>2</u>	115.0	<u>230</u>
<b>Total</b>	<b>5,171</b>		<b>9,558</b>

Final assumed meter counts as of July 1, 2009, or whenever full meter installation complete

**Table 4**  
**City of Port Hueneme**  
**Estimated Meter Equivalents for Billing**

<u>Flat rate accounts</u>	<u>Units</u>	<u>Ratio to Single unit res</u>	<u>Billing Units</u>
Single unit residential	2,369	1.000	2,369
Multi-unit residential	4,003	0.865	3,463
Small business	<u>40</u>	1.116	<u>45</u>
Subtotal January 29, 2009	6,412		5,876
<u>Metered accounts</u>	<u>Meters</u>	<u>Meter Ratio</u>	<u>5/8" Mtr Equivalents</u>
Commercial/Irrigation			
5/8 or 3/4-inch	50	1.0	50
1-inch	100	2.5	250
1.5-inch	100	5.0	500
2-inch	75	8.0	600
3-inch	25	15.0	375
4-inch	5	25.0	125
6-inch	1	50.0	50
8-inch	0	80.0	0
10-inch	<u>2</u>	115.0	<u>230</u>
Subtotal	358		2,180
Total	6,770		8,056

**Table 5**  
**City of Port Hueneme**  
**Outstanding Loans Due to the General Fund**

Description	Purpose	Original Amount	Est. Current Outstanding	Annual Pymt (5%, 30-Year)
Note 03-01	Water Plant Construction	\$10,627,726	\$10,261,894	\$657,295
Note 06-01	Water Meter Project	4,700,000	4,924,723	315,755
Note 7	Water Fund CIP (June-2000)	300,000	315,350	20,199
Note 8	Water Fund May 2001	245,000	275,930	17,674
Note 9	Water Fund May 2001	<u>120,000</u>	<u>135,149</u>	<u>8,656</u>
Total		15,992,726	15,913,046	1,019,579

**Table 6  
City of Port Hueneme  
Projected Payments to Port Hueneme Water Agency**

	Budget									
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>PHWA Expenses</b>										
City's Share of PHWA Expenses	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%
PHWA Operating Cost Escalation	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
<b>Water Demand</b>										
Annual Change in City Water Demand	-7.0%	-5.0%	-5.0%	-5.0%	-2.0%	-1.0%	0.0%	0.0%	0.0%	0.0%
Resulting Change in PHWA Water Demand	-3.8%	-2.6%	-2.6%	-2.5%	-1.0%	-0.5%	0.0%	0.0%	0.0%	0.0%
City's Net Share of PHWA Water Demand	54.0%	52.2%	50.9%	50.9%	49.6%	49.1%	48.9%	48.9%	48.9%	48.9%
<b>Wholesale Water Rate Increases</b>										
UWCD Fixed Charge Per Unit Increase	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
UWCD Volume Rate Increase (Effective Jul-1)	10%	10%	10%	5%	5%	5%	5%	5%	5%	5%
CMWD Fixed Charge Increase	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CMWD Volume Rate Increase (Effective Jan-1)	20%	20%	20%	5%	5%	5%	5%	5%	5%	5%
CMWD Annualized Volume Rate Increase	14%	20%	20%	13%	5%	5%	5%	5%	5%	5%
<b>Port Hueneme Water Agency Operating Expenses</b>										
PHWA Operating Costs (1)	\$1,718,000	\$1,787,000	\$1,858,000	\$1,932,000	\$2,009,000	\$2,089,000	\$2,173,000	\$2,260,000	\$2,350,000	\$2,444,000
UWCD Est. Fixed Charges	690,000	725,000	761,000	799,000	839,000	881,000	925,000	971,000	1,020,000	1,071,000
UWCD Est. Variable Charges (2)	1,080,000	1,143,000	1,224,000	1,252,000	1,302,000	1,360,000	1,428,000	1,499,000	1,574,000	1,653,000
Subtotal UWCD	1,770,000	1,868,000	1,985,000	2,051,000	2,141,000	2,241,000	2,353,000	2,470,000	2,594,000	2,724,000
CMWD Est. Fixed Charges	575,000	604,000	634,000	666,000	699,000	734,000	771,000	810,000	851,000	894,000
CMWD Est. Variable Charges (2)	897,000	984,000	1,150,000	1,266,000	1,316,000	1,375,000	1,444,000	1,516,000	1,592,000	1,672,000
Subtotal CMWD	1,472,000	1,588,000	1,784,000	1,932,000	2,015,000	2,109,000	2,215,000	2,326,000	2,443,000	2,566,000
Total PHWA Operating Expenses	4,960,000	5,243,000	5,627,000	5,915,000	6,165,000	6,439,000	6,741,000	7,056,000	7,387,000	7,734,000
<b>City's Share of PHWA Operating Expenses</b>										
% of Total	54%	54%	54%	54%	54%	54%	54%	54%	54%	54%
Projected City Payments to PHWA	2,678,000	2,831,000	3,039,000	3,194,000	3,329,000	3,477,000	3,640,000	3,810,000	3,989,000	4,176,000
Est. Fixed Charges	1,611,000	1,683,000	1,757,000	1,834,000	1,915,000	2,000,000	2,089,000	2,182,000	2,279,000	2,381,000
Est. Variable Charges	1,068,000	1,149,000	1,282,000	1,360,000	1,414,000	1,477,000	1,551,000	1,628,000	1,710,000	1,796,000

(1) Excludes \$634,000 of budgeted capital expenditures in 2008/09.

(2) Accounts for wholesale variable rate increases and change in City water demand.

**Table 7 - City of Port Hueneme - Water Enterprise Cash Flow Projections**

	Projected									
	Budget 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Overall Rate Revenue Increase		18%	14%	12%	8%	2%	2%	1.5%	1.5%	1.5%
Operating Cost Escalation		4%	4%	4%	4%	4%	4%	4%	4%	4%
Reduction in Water Demand		-7%	-5%	-5%	-2%	-1%	0%	0%	0%	0%
Interest Rate		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Beginning Cash Balance</b>	\$975,000	\$600,000	\$385,000	\$402,000	\$688,000	\$1,329,000	\$1,913,000	\$2,424,000	\$2,814,000	\$3,070,000
<b>REVENUES</b>										
Water Service Charges	4,600,000	5,430,000	6,190,000	6,933,000	7,488,000	7,638,000	7,791,000	7,908,000	8,027,000	8,147,000
Interest Earnings	25,000	15,000	10,000	10,000	17,000	33,000	48,000	61,000	70,000	77,000
Delinquent Fees & Misc	123,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Total Revenues</b>	4,748,000	5,545,000	6,300,000	7,043,000	7,605,000	7,771,000	7,939,000	8,069,000	8,197,000	8,324,000
<b>EXPENSES</b>										
<b>Operating</b>										
Salaries & Benefits	368,000	383,000	398,000	414,000	431,000	448,000	466,000	485,000	504,000	524,000
Other Operational Charges	423,000	440,000	458,000	476,000	495,000	515,000	536,000	557,000	579,000	602,000
Cost Allocation	803,000	835,000	868,000	903,000	939,000	977,000	1,016,000	1,057,000	1,099,000	1,143,000
Water Fixed Costs	1,611,000	1,683,000	1,757,000	1,834,000	1,915,000	2,000,000	2,089,000	2,182,000	2,279,000	2,381,000
Variable Water Costs	1,068,000	1,149,000	1,282,000	1,360,000	1,414,000	1,477,000	1,551,000	1,628,000	1,710,000	1,796,000
<b>Subtotal</b>	4,273,000	4,490,000	4,763,000	4,987,000	5,194,000	5,417,000	5,658,000	5,909,000	6,171,000	6,446,000
<b>Capital &amp; Non-Operating</b>										
Capital Improvements	0	250,000	500,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Repayment of Gen Fund Loans	850,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000
<b>Subtotal</b>	850,000	1,270,000	1,520,000	1,770,000	1,770,000	1,770,000	1,770,000	1,770,000	1,770,000	1,770,000
<b>Total Expenses</b>	5,123,000	5,760,000	6,283,000	6,757,000	6,964,000	7,187,000	7,428,000	7,679,000	7,941,000	8,216,000
Revenues Less Expenses	(375,000)	(215,000)	17,000	286,000	641,000	584,000	511,000	390,000	256,000	108,000
<b>Ending Cash Balance</b>	600,000	385,000	402,000	688,000	1,329,000	1,913,000	2,424,000	2,814,000	3,070,000	3,178,000
<i>Combined Min Rsrv Target</i>	2,068,000	2,123,000	2,191,000	2,247,000	2,299,000	2,354,000	2,415,000	2,477,000	2,543,000	2,612,000
<b>Minimum Fund Reserve Targets</b>										
Min Operating Rsrv: 25% of O&M	1,068,000	1,123,000	1,191,000	1,247,000	1,299,000	1,354,000	1,415,000	1,477,000	1,543,000	1,612,000
Replacement Reserve: \$1 million	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Debt Service Coverage	0.56	1.03	1.51	2.02	2.36	2.31	2.24	2.12	1.99	1.84

**Table 8**  
**City of Port Hueneme**  
**Estimated Base Year Water Demand**

Customer class	Number	Avg monthly use (hcf)	2008/09	Basis of estimate
Single unit residential	2,369	14.6	415,000	<i>12 months water data</i>
Multi-unit residential	4,003	10	480,400	<i>rough estimate</i>
Small business	40	15	7,200	<i>rough estimate</i>
Commercial/Irrigation	358	na	300,000	<i>3 year use history</i>
<b>Total</b>	<b>6,770</b>		<b>1,202,600</b>	

**Table 9  
City of Port Hueneme  
Historical and Projected Water Demand By Customer Class (hcf)**

Customer class	Base Year									
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Est. decrease in residential demand		-7%	-5%	-5%	-2%	-1%	0%	0%	0%	0%
Cumulative reduction in demand		-7.0%	-11.7%	-16.1%	-17.7%	-18.6%	-18.6%	-18.6%	-18.6%	-18.6%
<b>RESIDENTIAL &amp; SMALL BUSINESS</b>										
<b>Single unit residential</b>										
Projected conservation		-10.5%	-7.5%	-7.5%	-3.0%	-1.5%	0.0%	0.0%	0.0%	0.0%
Projected water demand	415,000	371,400	343,500	317,700	308,200	303,600	303,600	303,600	303,600	303,600
<b>Multi-unit residential</b>										
Projected conservation (60% of SFR)		-6.3%	-4.5%	-4.5%	-1.8%	-0.9%	0.0%	0.0%	0.0%	0.0%
Projected water demand	480,400	450,100	429,800	410,500	403,100	399,500	399,500	399,500	399,500	399,500
<b>Small business</b>										
Projected conservation (100% of SFR)		-10.6%	-7.5%	-7.5%	-3.0%	-1.5%	0.0%	0.0%	0.0%	0.0%
Projected water demand	7,200	6,400	5,900	5,500	5,300	5,200	5,200	5,200	5,200	5,200
<b>Subtotal</b>	902,600	827,900	779,200	733,700	716,600	708,300	708,300	708,300	708,300	708,300
Net Change		-8.3%	-5.9%	-5.8%	-2.3%	-1.2%	0.0%	0.0%	0.0%	0.0%
<b>COMMERCIAL/IRRIGATION</b>										
Projected conservation (50% of SFR)		-3.5%	-2.5%	-2.5%	-1.0%	-0.5%	0.0%	0.0%	0.0%	0.0%
Projected water demand Same reduction as SFR	300,000	289,500	282,300	275,200	272,400	271,000	271,000	271,000	271,000	271,000
<b>TOTAL CITY DEMAND</b>										
Total Demand	1,202,600	1,117,400	1,061,500	1,008,900	989,000	979,300	979,300	979,300	979,300	979,300
Change from prior year		-7.1%	-5.0%	-5.0%	-2.0%	-1.0%	0.0%	0.0%	0.0%	-0.0%

**Table 10**  
**City of Port Hueneme**  
**Allocation of Revenue Requirements to Residential vs. Commercial**

	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Overall Rate Revenue Increase*</b>		18%	14%	12%	8%
<b>Revenue Target*</b>	\$4,600,000	\$5,430,000	\$6,190,000	\$6,933,000	\$7,488,000
<b>Fixed Rate Revenue Increase</b>		18%	14%	8%	6%
<b>Fixed Charge Billing Units</b>					
Residential/Small Bus	5,876	5,916	5,956	5,996	6,036
Commercial Metered	<u>2,180</u>	<u>2,180</u>	<u>2,180</u>	<u>2,180</u>	<u>2,180</u>
Total	8,056	8,096	8,136	8,176	8,216
<b>Comm'l Fixed Charge 5/8" Mtr</b>	\$17.06	\$20.13	\$22.95	\$24.79	\$26.27
<b>Fixed Charges</b>					
Residential/Small Bus	\$1,202,983	\$1,429,183	\$1,640,284	\$1,783,403	\$1,903,018
Commercial Metered	<u>446,290</u>	<u>526,622</u>	<u>600,349</u>	<u>648,377</u>	<u>687,279</u>
Total	1,649,272	1,955,804	2,240,632	2,431,780	2,590,297
<b>Variable Revenue Requirement</b>					
Total Less Fixed Charges	\$2,950,728	\$3,474,196	\$3,949,368	\$4,501,220	\$4,897,703
<b>Projected Water Use (hcf)</b>					
Residential/Small Bus. Use (hcf)	902,600	827,900	779,200	733,700	716,600
Commercial Metered Use (hcf)	<u>300,000</u>	<u>289,500</u>	<u>282,300</u>	<u>275,200</u>	<u>272,400</u>
Total	1,202,600	1,117,400	1,061,500	1,008,900	989,000
<i>Annual Change in Demand</i>		-7.1%	-5.0%	-5.0%	-2.0%
Est. Required Variable Charge (per hcf)	\$2.45	\$3.11	\$3.72	\$4.46	\$4.95
<b>Allocation of Total Revenue Requirement</b>					
<i>Assumes all customers pay same fixed &amp; variable rates</i>					
Residential/Small Bus.	\$3,414,353	\$4,003,952	\$4,538,908	\$5,055,705	\$5,450,188
Commercial Metered	<u>1,181,290</u>	<u>1,426,967</u>	<u>1,650,505</u>	<u>1,875,769</u>	<u>2,035,659</u>
Total	4,595,642	5,430,918	6,189,412	6,931,474	7,485,847
Residential/Small Bus.	74.3%	73.7%	73.3%	72.9%	72.8%
Commercial Metered	25.7%	26.3%	26.7%	27.1%	27.2%

\* Does not account for additional revenue requirement due to transition of revenue recovery from Lot Charges.

**Table 11**  
**City of Port Hueneme**  
**Water Rate Calculation**

4-year phase-in to 50% fixed & 50% variable revenue recovery

	2009/10	2010/11	2011/12	2012/13
<b>Residential/Small Bus. Revenue Requirement</b>	\$4,003,952	\$4,538,908	\$5,055,705	\$5,450,188
<b>Fixed Revenue Recovery</b>				
Target %	80%	70%	60%	50%
Est. \$	3,203,161	3,177,235	3,033,423	2,725,094
<b>Fixed Billing Units for Residential/Small Bus</b>	5,916	5,956	5,996	6,036
<b>Fixed Charge per Residential Unit</b>	\$45.12	\$44.45	\$42.16	\$37.62
<b>Variable Revenue Recovery</b>				
Target %	20%	30%	40%	50%
Est. \$	800,790	1,361,672	2,022,282	2,725,094
<b>Est. Residential/Small Bus. Use (hcf)</b>	827,900	779,200	733,700	716,600
Residential/Small Bus. Use (hcf)				
Rate per hcf	0.98	1.75	2.76	3.80
<b>Commercial Revenue Requirement</b>	1,426,967	1,650,505	1,875,769	2,035,659
<b>Fixed Revenue Recovery</b>				
Target %	40%	40%	40%	40%
Est. \$	570,787	660,202	750,307	814,264
<b>Commercial 5/8" Meter Equivalents</b>	2,180	2,180	2,180	2,180
<b>Fixed Charge per Residential Unit</b>	21.82	25.24	28.68	31.13
<b>Variable Revenue Recovery</b>				
Target %	60%	60%	60%	60%
Est. \$	856,180	990,303	1,125,461	1,221,396
<b>Est. Commercial Metered Use (hcf)</b>	289,500	282,300	275,200	272,400
Residential/Small Bus. Use (hcf)				
Rate per hcf	2.96	3.51	4.09	4.48

**Table 12**  
**City of Port Hueneme**  
**Rate Projection**

4-year phase-in to 50% fixed & 50% variable revenue recovery

	2008/09	2009/10	2010/11	2011/12	2012/13	
<b>RESIDENTIAL/SMALL BUSINESS RATES</b>						
<u>Fixed Monthly Charge per Unit</u>						
Single Unit Residential	\$49.48	\$45.12	\$44.45	\$42.16	\$37.62	
Multi-Unit Residential (Per Dwelling Unit)	42.82	40.56	41.46	40.74	37.62	
<i>% of Single Unit Rates</i>	<i>86.5%</i>	<i>89.9%</i>	<i>93.3%</i>	<i>96.6%</i>	<i>100.0%</i>	
Small Business & Auxiliary Usage	55.20	49.03	47.02	43.38	37.62	
<i>% of Single Unit Rates</i>	<i>111.6%</i>	<i>108.7%</i>	<i>105.8%</i>	<i>102.9%</i>	<i>100.0%</i>	
Volume Charge (per hcf)	0.00	0.98	1.75	2.76	3.80	
<b>COMMERCIAL/IRRIGATION METERED WATER RATES</b>						
<u>Fixed Monthly Meter Charge</u>						
<u>Meter Size</u>	<u>Meter Ratio</u>					
5/8 or 3/4-inch	1.0	17.06	21.82	25.24	28.68	31.13
1-inch	2.5	42.67	54.55	63.09	71.70	77.82
1.5-inch	5.0	85.35	109.10	126.19	143.41	155.63
2-inch	8.0	136.56	174.55	201.90	229.45	249.01
3-inch	15.0	256.05	327.29	378.56	430.22	466.89
4-inch	25.0	426.73	545.48	630.93	717.04	778.16
6-inch	50.0	853.48	1,090.95	1,261.85	1,434.07	1,556.31
8-inch	80.0	1,365.56	1,745.53	2,018.97	2,294.52	2,490.10
10-inch	115.0	1,962.99	2,509.19	2,902.26	3,298.37	3,579.52
Volume Charge (per hcf*)		1.90	2.96	3.51	4.09	4.48

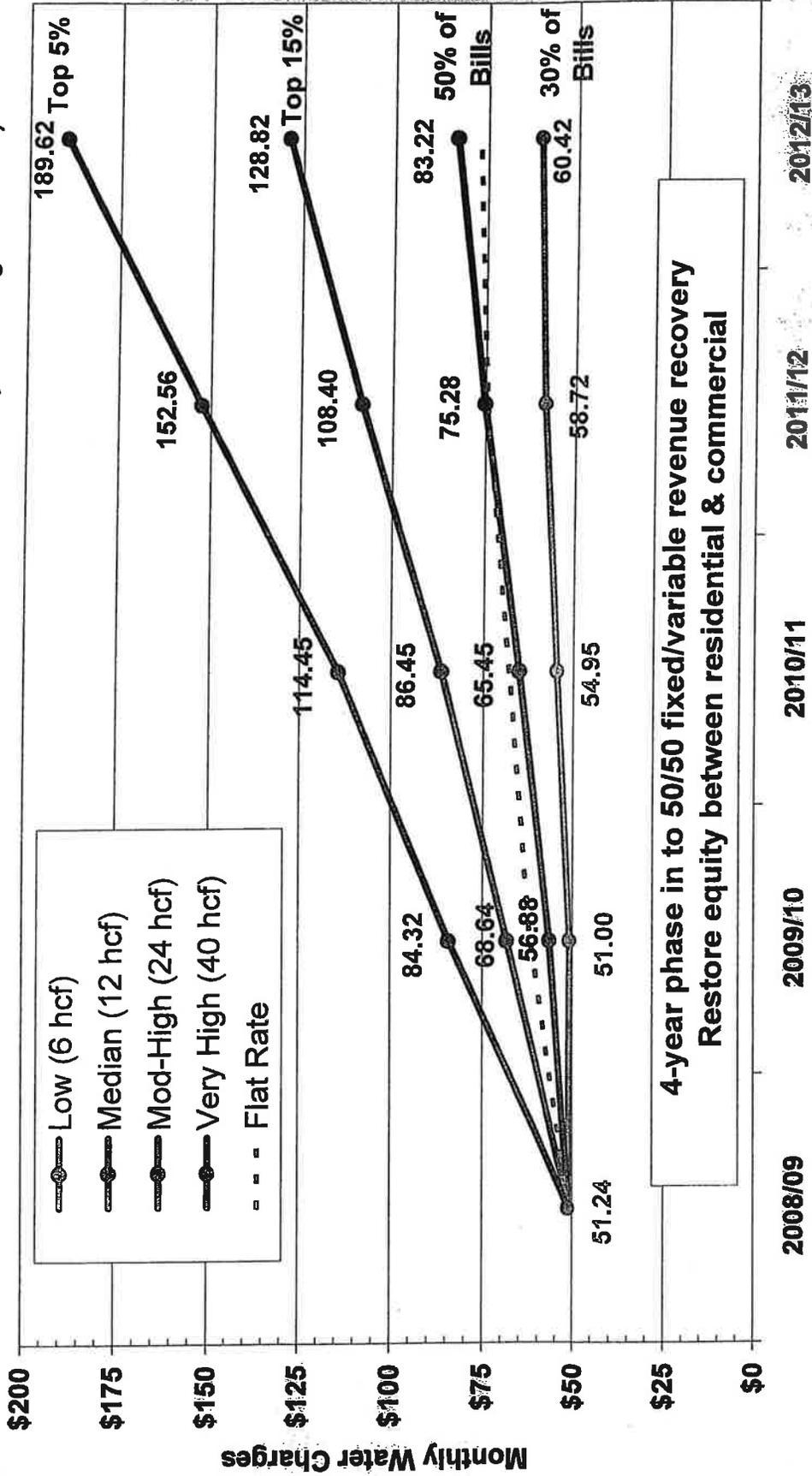
\* Note: 1 hcf = 1 hundred cubic feet = approximately 748 gallons of water.

**Table 13**  
**City of Port Hueneme**  
**Projected Monthly Bills & Impacts**

Monthly Use		2008/09	2009/10	2010/11	2011/12	2012/13
<b>RESIDENTIAL</b>						
<b>Low</b>	<b>6</b>	<b>\$51.24</b>	<b>\$51.00</b>	<b>\$54.95</b>	<b>\$58.72</b>	<b>\$60.42</b>
Increase \$			(0.24)	3.95	3.76	1.70
Increase %			-0.5%	7.8%	6.9%	2.9%
<b>Median (est)</b>	<b>12</b>	<b>\$51.24</b>	<b>\$56.88</b>	<b>\$65.45</b>	<b>\$75.28</b>	<b>\$83.22</b>
Increase \$			5.64	8.57	9.82	7.94
Increase %			11.0%	15.1%	15.0%	10.6%
<b>Average</b>	<b>15</b>	<b>\$51.24</b>	<b>\$59.82</b>	<b>\$70.70</b>	<b>\$83.56</b>	<b>\$94.62</b>
Increase \$			8.58	10.88	12.85	11.06
Increase %			16.7%	18.2%	18.2%	13.2%
<b>High (2x Median)</b>	<b>24</b>	<b>\$51.24</b>	<b>\$68.64</b>	<b>\$86.45</b>	<b>\$108.40</b>	<b>\$128.82</b>
Increase \$			17.40	17.81	21.94	20.42
Increase %			34.0%	26.0%	25.4%	18.8%
<b>Very High</b>	<b>40</b>	<b>\$51.24</b>	<b>\$84.32</b>	<b>\$114.45</b>	<b>\$152.56</b>	<b>\$189.62</b>
Increase \$			33.08	30.13	38.10	37.06
Increase %			64.6%	35.7%	33.3%	24.3%
<b>COMMERCIAL</b>						
<b>3/4" Meter</b>	<b>15</b>	<b>\$45.56</b>	<b>\$66.22</b>	<b>\$77.89</b>	<b>\$90.03</b>	<b>\$98.33</b>
Increase \$			20.66	11.67	12.14	8.29
Increase %			45.3%	17.6%	15.6%	9.2%
<b>1" Meter</b>	<b>50</b>	<b>\$137.67</b>	<b>\$202.55</b>	<b>\$238.59</b>	<b>\$276.20</b>	<b>\$301.82</b>
Increase \$			64.88	36.04	37.61	25.62
Increase %			47.1%	17.8%	15.8%	9.3%
<b>2" Meter</b>	<b>100</b>	<b>\$326.56</b>	<b>\$470.55</b>	<b>\$552.90</b>	<b>\$638.45</b>	<b>\$697.01</b>
Increase \$			143.99	82.35	85.55	58.56
Increase %			44.1%	17.5%	15.5%	9.2%
NOTE: Current bills include \$1.76 lot charge						

# City of Port Hueneme Projected Monthly Residential Water Charges

(With inclusion of \$1.76 monthly lot charge in 08/09. Elimination of monthly lot charge in 09/10)



4-year phase in to 50/50 fixed/variable revenue recovery  
Restore equity between residential & commercial



City of Port Hueneme  
City Clerk  
250 N. Ventura Rd.  
Port Hueneme, CA 93041

EXHIBIT "C"

## NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING ON PROPOSED WATER RATE ADJUSTMENTS

Property Address

PORT HUENEME CITY OF  
Port Hueneme, CA 93041

The City of Port Hueneme provides water service to approximately 6,800 homes, apartments, and businesses. Due to an overdraft of the regional groundwater aquifers, the City relies on imported water for 100% of its water supply. Over the past year and a half, the City has been installing water meters on all of its accounts so that it can begin billing customers based on metered water use starting this summer.

The City's water utility relies primarily on water service charges to fund the costs of operations, maintenance, and wholesale water purchases. However, the City's water fund has experienced budget deficits in recent years and needs to increase rates in order to restore financial stability. Current water rates are not adequate to fund the City's costs of providing water service.

The City is proposing to phase in a series of water rate adjustments over the next four years. These adjustments include: a) rate increases needed to restore balanced budgets, and b) the inclusion of a new usage-based component for all water rates. The proposed rates are designed to comply with state laws, improve rate equity and fairness, and fund the City's costs of providing water service.

The proposed water rates are based on a study conducted by a utility rate consultant and incorporate input from the City's *Water Rate Advisory Committee*, a group of two City Council members, two business members, two local citizens and City Staff. This study is available for review in the Office of the City Clerk.

Due to the transition from fixed rates to a new variable rate structure, customers who use less water will experience lower water bills than those who use more water. All customers are encouraged to conserve water and help reduce their water bills.

### **Why Rate Adjustments Are Needed**

#### **Regulatory Requirements & Fairness**

Historically, residential customers and some small businesses have paid a flat rate charge for water service regardless of the amount of water actually used. In order to comply with state regulations and to make water rates more equitable, the City plans to begin charging customers on a variable rate basis starting in August 2009.

#### **Restore Balanced Budgets**

The City's water fund has experienced budget deficits in recent years. Rate increases are needed to restore the financial stability of the water utility and fund the cost of providing service.

#### **Fund Wholesale Water Rate Increases**

The City is anticipating that it will have to pay more for each unit of water it purchases to meet the needs of City customers. Both United Water Conservation District and Calleguas Municipal Water District, from whom the City purchases water, are anticipating passing through wholesale water rate increases to the Port Hueneme Water Agency and its customers.

#### **Repair & Replace Aging Pipelines**

The City maintains over 100 miles of water distribution pipelines, many of which were constructed in the 1940's and 1950's. These pipelines will need to be repaired or replaced in upcoming years as they reach the end of their useful lives. This will help ensure that the City can continue providing high-quality water to its customers 24 hours a day. The rates included in this notice will enable the City to begin addressing its most urgent infrastructure needs over the next four years.



Ciudad de Port Hueneme  
Secretario Municipal  
250 N. Ventura Rd.  
Port Hueneme, CA 93041

## AVISO A PROPIETARIOS ACERCA DE UNA AUDIENCIA PÚBLICA SOBRE EL PROYECTO DE AJUSTE PROPUESTO A LAS TARIFAS DE AGUA

Dirección de la propiedad:

PORT HUENEME CITY OF  
Port Hueneme, CA 93041

La Ciudad de Port Hueneme proporciona servicios de agua a alrededor de 6800 viviendas, apartamentos y empresas. Debido al uso excesivo de los acuíferos de aguas subterráneas de la región, la Ciudad depende de agua de procedencia externa para atender el 100% de su suministro. Durante el último año y medio, la Ciudad ha estado instalando medidores de agua en todas sus cuentas, para poder comenzar a facturar a sus clientes sobre la base del consumo medido a partir de este verano.

El servicio de agua de la Ciudad utiliza los cargos que cobra principalmente para financiar los costos de operación, mantenimiento y compra de agua al por mayor. Sin embargo, en años recientes, el fondo de agua de la Ciudad ha experimentado un déficit presupuestario y es necesario aumentar las tarifas con el fin de restablecer la estabilidad financiera. Las tarifas de agua actuales resultan insuficientes para financiar los costos de prestación del servicio de agua por parte de la Ciudad.

La Ciudad propone implementar gradualmente una serie de ajustes de tarifas de agua durante los próximos cuatro años. Estos ajustes incluyen: a) los aumentos de tarifas necesarios para restablecer el equilibrio presupuestario, y b) la inclusión de un nuevo componente por consumo para todas las tarifas de agua. Las tarifas propuestas fueron diseñadas para cumplir las leyes estatales, mejorar la equidad y paridad de las tarifas, y solventar los costos de prestación de servicio de agua por parte de la Ciudad.

Las tarifas de agua propuestas se basan en un estudio realizado por un consultor de tarifas de servicios e incorporan contribuciones del *Comité Consultivo sobre Tarifas de Agua* de la Ciudad, compuesto por dos miembros del Concejo Municipal, dos representantes de empresas, dos ciudadanos locales y personal de la Ciudad. Este estudio está disponible para su revisión en la Oficina del Secretario Municipal.

Debido a la transición de tarifas fijas a una nueva estructura de tarifas variables, los clientes que utilicen menos agua recibirán facturas más bajas que quienes más consuman. Se recomienda a todos

los clientes conservar el agua y ayudar a reducir el monto de sus facturas.

### ¿Por qué se necesita un cambio en las tarifas?

#### **Requisitos reglamentarios y equidad**

Históricamente, los clientes residenciales y algunas pequeñas empresas han pagado una tarifa fija por el servicio de agua, independientemente de la cantidad de agua utilizada. A fin de cumplir las reglamentaciones estatales y hacer más equitativa la tarifa de agua, la Ciudad tiene previsto comenzar a cobrar a sus clientes una tarifa variable a partir de agosto de 2009.

#### **Restablecer el equilibrio presupuestario**

Durante los últimos años, el fondo de agua de la Ciudad ha experimentado un déficit presupuestario. Se requiere un aumento de tarifas para restablecer la estabilidad financiera del servicio de agua y financiar el costo de prestación del servicio.

#### **Solventar aumentos de tarifas de agua al por mayor**

La Ciudad prevé que tendrá que pagar más por cada unidad de agua que compre para satisfacer las necesidades de sus clientes. Tanto el Distrito Unido de Conservación de Agua como el Distrito Municipal de Agua de Calleguas, de los cuales la Ciudad compra agua, tienen previsto aumentar las tarifas de agua al por mayor a la Agencia de Agua de Port Hueneme y a sus clientes.

#### **Reparar y reemplazar tuberías deterioradas**

La Ciudad mantiene más de 100 millas de tuberías de distribución de agua, muchas de las cuales se construyeron en las décadas de 1940 y 1950. En los próximos años, a medida que alcancen el final de su vida útil, estas tuberías tendrán que ser reparadas o reemplazadas. Esto ayudará a garantizar que la Ciudad pueda seguir proporcionando agua de alta calidad a sus clientes las 24 horas del día. Las tarifas incluidas en esta notificación permitirán que la Ciudad comience a hacer frente a sus necesidades de infraestructura más urgentes de los próximos cuatro años.

**Proposed Water Rates**

The City proposes to adopt the rates as shown on the following table for the next four years. The proposed rate structure for all customers includes two components: 1) a fixed monthly charge that is billed regardless of water use, and 2) a volume charge billed for each unit of metered water consumption. The volume rate applies to each hundred cubic feet (hcf) of water use; one hundred cubic feet (hcf) equals 748 gallons.

Example: Starting August 1, 2009 a typical home using 12 units of water (current median usage in Port Hueneme) will pay \$56.88 per month. This includes a fixed monthly charge of \$45.12 plus a volume charge of \$11.76 (12 units x \$0.98) per month resulting in a rate increase of about 15% or about \$7.40 per month.

	Current Rates	Proposed Water Rates				
		07/01/09	07/01/10	07/01/11	07/01/12	
<b>RESIDENTIAL</b>						
<b>Fixed Monthly Charge Per Unit</b>						
Single Unit Residential	\$49.48	\$45.12	\$44.45	\$42.16	\$37.62	
Multi-Unit Residential (Per Dwelling Unit)	42.82	40.56	41.46	40.74	37.62	
<b>Volume Charge</b> (per hundred cubic feet)*	0.00	0.98	1.75	2.76	3.80	
<b>COMMERCIAL/IRRIGATION METERED WATER RATES</b>						
<b>Fixed Monthly Meter Charge</b>						
<u>Meter Size</u>	<u>Meter Ratio</u>					
5/8 or 3/4-inch	1.0	17.06	21.82	25.24	28.68	31.13
1-inch	2.5	42.67	54.55	63.09	71.70	77.82
1.5-inch	5.0	85.35	109.10	126.19	143.41	155.63
2-inch	8.0	136.56	174.55	201.90	229.45	249.01
3-inch	15.0	256.05	327.29	378.56	430.22	466.89
4-inch	25.0	426.73	545.48	630.93	717.04	778.16
6-inch	50.0	853.48	1,090.95	1,261.85	1,434.07	1,556.31
8-inch	80.0	1,365.56	1,745.53	2,018.97	2,294.52	2,490.10
10-inch	115.0	1,962.99	2,509.19	2,902.26	3,298.37	3,579.52
<b>Volume Charge</b> (per hundred cubic feet)*		1.90	2.96	3.51	4.09	4.48

\* Volume charges are subject to additional increases due to passthrough of wholesale water costs.

**Passthrough for Wholesale Water Rate Increases**

Any increases in the City's wholesale cost of water, as calculated per hundred cubic feet of water (hcf), may be passed through on the City's water Charges. For example, if the City's cost of wholesale water increases by \$0.10 per hcf, then the City's Volume Charges would also increase by \$0.10 per hcf. The City will provide written notice to all customers prior to passing through any wholesale water rate increases. However, under no circumstance will the City's water rates exceed the cost of service.

**Notice of a Public Hearing on Proposed Water Rate Adjustments**

Pursuant to Article 13D of the California Constitution, the City Council will hold a Public Hearing on the proposed water rates on **Monday, June 1, 2009 beginning at 6:30 p.m.** in the City of Port Hueneme City Council Chamber located at 250 N. Ventura Rd. Port Hueneme, CA 93041. Please check the City's website ([www.ci.port-hueneme.ca.us](http://www.ci.port-hueneme.ca.us)) for information regarding the City Council meeting and the proposed water cost increase.

### **Tarifas de agua propuestas**

La Ciudad propone adoptar, a lo largo de los próximos cuatro años, las tarifas indicadas en la siguiente tabla. La estructura tarifaria propuesta para todos los clientes incluye dos componentes: 1) un cargo fijo mensual, cobrado independientemente del uso del agua, y 2) un cargo por volumen por cada unidad medida de consumo de agua. El cargo por volumen se aplica por cada cien pies cúbicos (hcf) de consumo de agua; cien millones de pies cúbicos (hcf) equivalen a 748 galones.

Ejemplo: A partir de 1° de agosto de 2009, una vivienda típica que consuma 12 unidades de agua (el promedio de uso actual en Port Hueneme) pagará \$56.88 por mes. Esto incluye un cargo mensual fijo de \$45.12, más un cargo por volumen de \$11.76 (12 unidades x \$ 0.98) por mes; el resultado es un aumento tarifario del 15%, o alrededor de \$7.40 al mes.

		Tarifas de agua propuestas				
		Tarifas actuales	07/01/09	07/01/10	07/01/11	07/01/12
<b>TARIFAS RESIDENCIALES</b>						
<b>Cargo mensual fijo por unidad</b>						
Residencial, vivienda de una sola familia		\$49.48	\$45.12	\$44.45	\$42.16	\$37.62
Residencial, vivienda multifamiliar (por unidad)		42.82	40.56	41.46	40.74	37.62
<b>Cargo por volumen (cada cien pies cúbicos)*</b>		0.00	0.98	1.75	2.76	3.80
<b>TARIFAS MEDIDAS DE AGUA DE RIEGO/USO COMERCIAL</b>						
<b>Cargo mensual fijo por medidor</b>						
<u>Tamaño del medidor</u>	<u>Relación del medidor</u>					
5/8 ó 3/4 pulg.	1.0	17.06	21.82	25.24	28.68	31.13
1 pulg.	2.5	42.67	54.55	63.09	71.70	77.82
1.5 pulg.	5.0	85.35	109.10	126.19	143.41	155.63
2 pulg.	8.0	136.56	174.55	201.90	229.45	249.01
3 pulg.	15.0	256.05	327.29	378.56	430.22	466.89
4 pulg.	25.0	426.73	545.48	630.93	717.04	778.16
6 pulg.	50.0	853.48	1,090.95	1,261.85	1,434.07	1,556.31
8 pulg.	80.0	1,365.56	1,745.53	2,018.97	2,294.52	2,490.10
10 pulg.	115.0	1,962.99	2,509.19	2,902.26	3,298.37	3,579.52
<b>Cargo por volumen (cada cien pies cúbicos)*</b>		1.90	2.96	3.51	4.09	4.48

\* Los cargos por volumen están sujetos a aumentos adicionales a causa de la transferencia de costo del agua al por mayor.

### **Aumentos por transferencia de costos del agua al por mayor**

Cualquier aumento en el precio del agua que la Ciudad adquiriera al por mayor, calculado cada cien pies cúbicos de agua (hcf), será transferido a los cargos que cobre la Ciudad. Por ejemplo, si el costo de agua al por mayor de la Ciudad aumentara en \$0.10 cada hcf, los cargos por volumen de la Ciudad también aumentarían \$0.10 cada hcf. La Ciudad notificará por escrito a todos los clientes antes de autorizar cualquier aumento a las tarifas de agua. Sin embargo, la tarifa de agua de la Ciudad no superará en ningún caso el costo del servicio.

### **Aviso de una audiencia pública sobre el proyecto de ajuste propuesto a las tarifas de agua**

De conformidad con el artículo 13D de la Constitución de California, el Concejo Municipal celebrará una audiencia pública relativa a las tarifas de agua propuestas el **lunes 1° de junio de 2009 a partir de las 6:30 pm** en el Concejo Municipal de la Ciudad de Port Hueneme, 250 N. Ventura Rd., Port Hueneme, CA 93041. Para obtener información sobre la reunión del Concejo Municipal y la propuesta de aumentar las tarifas de agua, consulte el sitio web de la Ciudad ([www.ci.port-hueneme.ca.us](http://www.ci.port-hueneme.ca.us)).

## IMPORTANT INFORMATION:

**If you oppose an increase to your water rate charge and wish to protest this action, you must do the following:**

- 1) Check the box on the form below indicating you protest the proposed water rate charge increase;
- 2) Print and sign your name on the lines provided;
- 3) Cut or tear off the form where indicated;
- 4) Deliver the signed form to the City Clerk prior to the close of the public hearing that is scheduled for 6:30 p.m. on June 1, 2009 by one of the following methods: U.S. mail addressed to City Clerk/Water Rates, City of Port Hueneme, 250 N. Ventura Road, Port Hueneme, CA 93041 – or – hand deliver to the City Clerk's office at the same address – or – bring the form to the June 1, 2009 City Council meeting and deposit it in the box provided for this purpose prior to the close of the public hearing. You may also address the City Council regarding the proposed rate increase during the public hearing. **The enclosed form must be properly filled out and received by the City prior to the close of the public hearing to be counted. If protests are filed on behalf of a majority of the parcels in the City prior to the close of the June 1, 2009 public hearing, the City cannot adopt the proposed water rate increase. If a majority of the parcels do not protest the proposed increase, the City has the authority to adopt the proposed water rate increase. Any rate increase, if enacted, will take effect no earlier than August 1, 2009.**

If you need more information, please contact the City's Water Division at (805) 986-6563.

✂-----✂-----✂-----✂-----✂-----

I protest the proposed water rate increase

\_\_\_\_\_  
Print Legibly – Full Name

\_\_\_\_\_  
Signature

Return to: City Clerk/Water Rates, City of Port Hueneme, 250 N. Ventura Road, Port Hueneme CA 93041 Prior to close of public hearing on June 1, 2009

2070010095  
PORT HUENEME CITY OF  
250 N VENTURA RD  
PORT HUENEME, CA 93041

## INFORMACIÓN IMPORTANTE:

**Si usted se opone al aumento de su tarifa de agua y desea presentar una protesta por esta medida, debe hacer lo siguiente:**

- 1) Marque la casilla del formulario siguiente para indicar su protesta al aumento propuesto de tarifas de agua;
- 2) Escriba su nombre en letra de molde y firme en las líneas provistas;
- 3) Corte o separe el formulario por la línea de puntos;
- 4) Entregue el formulario firmado al Secretario Municipal antes de la clausura de la audiencia pública programada para las 6:30 pm del 1° de junio de 2009, por medio de uno de los siguientes métodos: Envíelo por correo a *City Clerk/Water Rates, City of Port Hueneme, 250 N. Ventura Road, Port Hueneme, CA 93041*; **o bien** entréguelo en la Oficina del Secretario Municipal, en esa misma dirección; **o bien** lleve el formulario a la reunión del Concejo Municipal el 1° de junio de 2009 y dépositelo en el buzón provisto a tal efecto, antes de que se levante la audiencia pública. Asimismo, durante el transcurso de la audiencia pública, usted podrá dirigirse al Concejo Municipal con respecto al aumento de tarifas propuesto. **Para que sea contado, el formulario adjunto deberá ser debidamente llenado y ser recibido por la Ciudad antes de la clausura de la audiencia pública. Si se presentan protestas en nombre de la mayoría de las parcelas de la Ciudad antes de la clausura de la audiencia pública del 1° de junio de 2009, el Concejo Municipal no podrá adoptar la propuesta de aumentar las tarifas de agua. Si la mayor parte de las parcelas no presenta una protesta por el aumento propuesto, la Ciudad tendrá la autoridad para adoptar la propuesta de aumentar las tarifas de agua. Cualquier aumento de tarifa que se promulgue entrará en vigor a partir del 1° de agosto de 2009 o en fecha posterior.**

Si necesita más información, diríjase a la División de Agua de la Ciudad al (805) 986-6563.

✂-----✂-----✂-----✂-----✂-----

Me opongo al aumento de cargos propuesto para el servicio de agua

\_\_\_\_\_  
Nombre completo (en letra de molde)

\_\_\_\_\_  
Firma

Enviar a: *City Clerk/Water Rates, City of Port Hueneme, 250 N. Ventura Rd., Port Hueneme, CA 93041*  
antes de la clausura de la audiencia pública del 1° de junio de 2009.

2070010095  
PORT HUENEME CITY OF  
250 N VENTURA RD  
PORT HUENEME, CA 93041

**ORDINANCE NO. 690****AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PORT HUENEME SETTING THE AMOUNT OF WATER RATES AND CHARGES PURSUANT TO HEALTH AND SAFETY CODE SECTION 5471**

The City Council of the City of Port Hueneme does ordain as follows:

**SECTION 1.** The City Council finds and declares as follows:

- A. The City of Port Hueneme requires a reliable supply of water meeting current and anticipated water quality standards to protect the public general welfare, health and safety.
- B. The purpose of water rates and charges is to pay for protecting the public health, safety and general welfare by providing a reliable and adequate supply of water meeting current and anticipated water quality standards for the residents of the City of Port Hueneme and to pay for the cost of providing such service.
- C. The City Council previously set water rates and established administrative procedures for billing and collecting charges. These actions are reflected in Article VII, Chapter 1 of the Port Hueneme Municipal Code ("PHMC") entitled "Water".
- D. The City followed Proposition 218 (Article XIII D of the California Constitution) majority protest procedures and considered all protests against the proposed water service charge.
- E. A written majority protest of record parcel owners within the City was not received.
- F. There is a reasonable relationship between the amount of the water service rates and charges set forth in this Ordinance and the cost of the commodity (water) and the services and facilities necessary to deliver water to the residents and non-residential development of the City.
- G. The City has conducted a duly noticed public hearing on June 1, 2009, and considered all written and oral evidence and testimony provided by the City and the public and this Ordinance is adopted in accordance with Proposition 218 (Article XIII D of the California Constitution), Port Hueneme City Charter §§ 1.1 and 1.5; Health and Safety Code § 5471; and PHMC § 7102 to establish the City's current water rates.

**SECTION 2.** AMOUNT OF FEES AND CHARGES. Pursuant to PHMC § 7102, as amended below, the City Council hereby established the fees and charges for water services as set forth in attached Exhibit "A", which is incorporated by reference ("Water Charges").

**SECTION 3. COST ESTIMATES.** The City Manager, or designee, is directed to periodically review the Water Charges to determine whether revenues from such charges are meeting actual cost of services and facilities needed to deliver water service to the residents and non-residential developments within the City. If the City Manager determines that revenues do not adequately meet costs, the City Manager will recommend to the City Council a revised rate and charge schedule to be adopted by this City Council by ordinance. If the City Manager determines that revenues exceed the cost of providing service based upon changes in the assumptions that formed the basis of the adopted increases, then the City Manager shall cause the rates to be reduced to a level whereby the revenues received do not exceed the cost of providing the service, including but not limited to the cost of maintaining an adequate capital improvement reserve as discussed as part of the public hearing process.

**SECTION 4.** All instances of the term "Director of Utility Services" or "Utility Services Director" in PHMC §§ 7101-7112 and 7126 are changed to read "Public Works Director."

**SECTION 5.** To the extent that any other resolutions or any other ordinances purporting to establish water rates incorporated into this Ordinance, they are superseded and rendered moot.

**SECTION 6.** This Ordinance is exempt from review under the California Environmental Quality Act (Cal. Pub. Res. Code §§ 21000, *et seq.*; "CEQA") and CEQA regulations (Cal. Code Regs. tit. 14, §§ 15000, *et seq.*) because it establishes, modifies, structures, restructures, and approves rates and charges for meeting operating expenses; purchasing supplies, equipment, and materials; meeting financial requirements; and obtaining funds for capital projects needed to maintain service within existing service areas. This Ordinance, therefore, is categorically exempt from further CEQA review under Cal. Code Regs. tit. 14, § 15273.

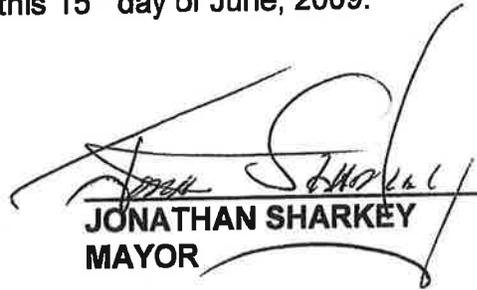
**SECTION 7.** Repeal of any provision of the Port Hueneme Municipal Code, or any other City resolution or ordinance herein will not affect any penalty, forfeiture, or liability incurred before, or preclude prosecution and imposition of penalties for any violation occurring before, this Ordinance's effective date. Any such repealed part will remain in full force and effect for sustaining action or prosecuting violations occurring before the effective date of this Ordinance.

**SECTION 8.** If any part of this Ordinance or its application is deemed invalid by a court of competent jurisdiction, the City Council intends that such invalidity will not affect the effectiveness of the remaining provisions or applications and, to this end, the provisions of this Ordinance are severable. Moreover, to the extent a court of competent jurisdiction determines that the rates set forth on Exhibit "A" are in excess of rates that the City can charge under applicable laws then the rates will be set at the maximum rate determined by the court that is in accordance with applicable laws unless and until the City takes action to establish a new rate schedule.

**SECTION 9.** The City Clerk is directed to certify the passage and adoption of this Ordinance; cause it to be entered into the City of Port Hueneme's book of original ordinances; make a note of the passage and adoption in the records of this meeting; and, within fifteen (15) days after the passage and adoption of this Ordinance, cause it to be published or posted in accordance with California law.

**SECTION 10.** This Ordinance will become effective on the thirty-first (31<sup>st</sup>) day following its passage and adoption.

**PASSED, APPROVED AND ADOPTED** this 15<sup>th</sup> day of June, 2009.



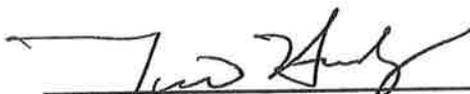
**JONATHAN SHARKEY**  
MAYOR

**ATTEST:**



**MICHELLE ASCENCION**  
DEPUTY CITY CLERK

**APPROVED AS TO FORM:**



**MARK D. HENSLEY**  
CITY ATTORNEY

**APPROVED AS TO CONTENT:**



**DAVID J. NORMAN**  
CITY MANAGER

**Exhibit "A" - City of Port Hueneme Water Rates and Charges**  
**Effective Date 8-1-2009**

**Proposed Water Rates**

<b>RESIDENTIAL</b>						
<b>Fixed Monthly Charge Per Unit</b>						
Single Unit Residential	\$49.48	\$45.12	\$44.45	\$42.16	\$37.62	
Multi-Unit Residential (Per Dwelling Unit)	42.82	40.56	41.46	40.74	37.62	
<b>Volume Charge (per hundred cubic feet)*</b>	<b>0.00</b>	<b>0.98</b>	<b>1.75</b>	<b>2.76</b>	<b>3.80</b>	
<b>COMMERCIAL/IRRIGATION METERED WATER RATES</b>						
<b>Fixed Monthly Meter Charge</b>						
<u>Meter Size</u>	<u>Meter Ratio</u>					
5/8 or 3/4-inch	1.0	17.06	21.82	25.24	28.68	31.13
1-inch	2.5	42.67	54.55	63.09	71.70	77.82
1.5-inch	5.0	85.35	109.10	126.19	143.41	155.63
2-inch	8.0	136.56	174.55	201.90	229.45	249.01
3-inch	15.0	256.05	327.29	378.56	430.22	466.89
4-inch	25.0	426.73	545.48	630.93	717.04	778.16
6-inch	50.0	853.48	1,090.95	1,261.85	1,434.07	1,556.31
8-inch	80.0	1,365.56	1,745.53	2,018.97	2,294.52	2,490.10
10-inch	115.0	1,962.99	2,509.19	2,902.26	3,298.37	3,579.52
<b>Volume Charge (per hundred cubic feet)*</b>		<b>1.90</b>	<b>2.96</b>	<b>3.51</b>	<b>4.09</b>	<b>4.48</b>
* Volume charges are subject to additional increases due to passthrough of wholesale water costs.						

**Passthrough for Wholesale Water Rate Increases**

Any increases in the City's wholesale cost of water, as calculated per hundred cubic feet of water (hcf), may be passed through on the City's water Charges. For example, if the City's cost of wholesale water increases by \$0.10 per hcf, then the City's Volume Charges would also increase by \$0.10 per hcf. The City will provide written notice to all customers prior to passing through any wholesale water rate increases. However, under no circumstance will the City's water rates exceed the cost of service.

**Fire Sprinklers (when applicable)**

Service Size	Maximum Monthly Rates
2 inch	\$ 3.12
4 inch	\$ 18.55
6 inch	\$ 51.43
8 inch	\$107.98

Fees & Charges	Maximum Monthly Rates
Deposit for Initial Residential Service	\$100.00
Non-sufficient Check/ACH Fee	\$ 25.00
Notice of Service Cancellation (Door Hanger)	\$ 25.00
After Hours Personnel Callout	\$100.00
Delinquency Fee	\$ 75.00
Utility Reconnection after Tampering Restriction	\$250.00
Hydrant Meter Installation/Removal	\$150.00
Hydrant Meter Deposit	\$750.00
Deposit for Commercial Service	2 months service charge, \$100 minimum
Late Fee	10% of account balance

Note: Rates for Fire Sprinklers and Fees & Charges match existing charges

**RESOLUTION NO. 3923****A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PORT HUENEME RECITING THE FACT OF THE PROPOSITION 218 MAIL PROTEST BALLOT PROCESS HELD, DECLARING THE RESULT AND SUCH OTHER MATTERS AS PROVIDED BY LAW**

**WHEREAS**, Proposition 218 was adopted on November 6, 1996, adding Articles XIII C and XIII D to the California Constitution; and

**WHEREAS**, Articles XIII C and XIII D of the California Constitution impose certain procedural and substantive requirements relating to property related fees; and

**WHEREAS**, a Mail Ballot Protest process in accordance with the procedures set forth in Proposition 218 was held and conducted in the City of Port Hueneme, California from March 18, 2009 through the close of the June 1, 2009 Public Hearing; and

**WHEREAS**, a Notice to Parcel Owners and to the Water Rate Payers of Proposed Water Service Charge Increase and Public Hearing, a Schedule of Proposed Water Service Charge Increase, and a Mail Protest Ballot were mailed out by First Class mail to the 6,505 parcel owners listed on the Equalized Tax Roll – 2008 Tax Year which was obtained from the Ventura County Assessor's Office; and

**WHEREAS**, the City Clerk canvassed the returns of the Mail Ballot Protest and has certified the results to this City Council, the results are received, attached and made a part hereof as "Exhibit No. 1".

**NOW, THEREFORE, BE IT RESOLVED** that the Port Hueneme City Council does hereby resolve, declare, determine, and order as follows:

**Section 1.** That the whole number of mail protest ballots received by the City, except for those invalid and returned undeliverable, was 652.

That the number of invalid mail protest ballots received by the City Clerk's office was 429, and the number of returned undeliverable mail protest ballots received by the City Clerk's Office was 443, making a total of 1,081 valid and invalid protest ballots received by the City.

**Section 2.** The City Clerk shall enter on the records of the City Council, a statement of the result of the election, showing: (1) the whole number of valid mail protest ballots cast; (2) the whole number of invalid mail protest ballots cast, and the whole number of returned undeliverable mail protest ballots received by the City Clerk's Office.

Section 3. The City Clerk shall certify to the passage and adoption of this resolution.

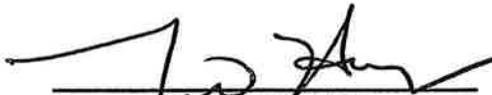
**PASSED, APPROVED, AND ADOPTED** this 1<sup>st</sup> day of June, 2009.

  
\_\_\_\_\_  
**JONATHAN SHARKEY**  
**MAYOR**

**ATTEST:**

  
\_\_\_\_\_  
**MICHELLE ASCENCION**  
**DEPUTY CITY CLERK**

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
**MARK B. HENSLEY**  
**CITY ATTORNEY**

**APPROVED AS TO CONTENT:**

  
\_\_\_\_\_  
**DAVID J. NORMAN**  
**CITY MANAGER**



# City of Port Hueneme

## CERTIFICATION

STATE OF CALIFORNIA )  
COUNTY OF VENTURA ) SS:  
CITY OF PORT HUENEME )

I, MICHELLE ASCENCION, duly appointed and qualified Deputy City Clerk of the City of Port Hueneme, do hereby certify that the foregoing **Ordinance No. 690** is a true and correct copy passed and adopted at the Regular City Council Meeting of June 15, 2009 by the City Council of the City of Port Hueneme by the following vote:

AYES: Council Members Douglas A. Breeze, Maricela P. Morales,  
Sylvia Muñoz Schnopp, Mayor Pro Tem Norman E. Griffaw,  
Mayor Jonathan Sharkey

NOES: None

ABSTAINING: None

ABSENT: None

  
Michelle Ascencion, Deputy City Clerk  
of the City of Port Hueneme and ex-  
officio Clerk of the Council

Dated: June 16, 2009



# City of Port Hueneme

## CERTIFICATION

STATE OF CALIFORNIA    )  
COUNTY OF VENTURA    ) SS:  
CITY OF PORT HUENEME )

I, Michelle Ascencion, Deputy City Clerk of the City of Port Hueneme, do hereby certify that the foregoing **Resolution No. 3923** is a true and correct copy passed and approved at the Regular Meeting of June 1, 2009 by the City Council of the City of Port Hueneme by the following vote:

AYES:     Council Members Douglas A. Breeze, Maricela P. Morales,  
          Sylvia Muñoz Schnopp, Mayor Pro Tem Norman E. Griffaw,  
          Mayor Jonathan Sharkey

NOES:     None

ABSTAINING:     None

ABSENT:     None

  
\_\_\_\_\_  
Michelle Ascencion, Deputy City Clerk  
of the City of Port Hueneme and ex-  
officio Clerk of the Council

Dated: June 2, 2009

**EXHIBIT NO. 1  
CITY CLERK'S CERTIFICATE OF CANVASS**

I, Michelle Ascencion, Deputy City Clerk of the City of Port Hueneme, do certify that I have canvassed the returns of the Mail Protest Ballot held from March 18, 2009 through the close of the Public Hearing on June 1, 2009, and find that the number of votes given to the City for the Proposed Water Service Charge increase were as follows:

Invalid and not counted mail protest ballots cast within the City of Port Hueneme	429*
Valid and counted mail protest ballots cast within the City of Port Hueneme	652
Returned Undeliverable mail protest ballots received by the City of Port Hueneme	443

*\*The 429 invalid protests include 266 duplicate protests for various parcels, of which 148 were subsequent protests received after the first valid vote for a parcel, and 118 were protests received as a result of duplicate printings by the printing company.*

  
Michelle Ascencion  
Deputy City Clerk

Dated: June 1, 2009



# City of Port Hueneme

## CERTIFICATION

STATE OF CALIFORNIA )  
COUNTY OF VENTURA ) SS:  
CITY OF PORT HUENEME )

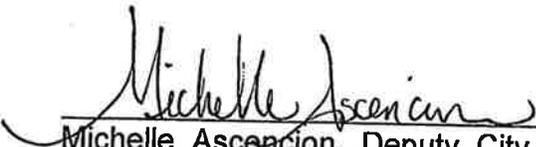
I, Michelle Ascencion, Deputy City Clerk of the City of Port Hueneme, do hereby certify that the foregoing **Resolution No. 3923** is a true and correct copy passed and approved at the Regular Meeting of June 1, 2009 by the City Council of the City of Port Hueneme by the following vote:

AYES: Council Members Douglas A. Breeze, Maricela P. Morales,  
Sylvia Muñoz Schnopp, Mayor Pro Tem Norman E. Griffaw,  
Mayor Jonathan Sharkey

NOES: None

ABSTAINING: None

ABSENT: None

  
Michelle Ascencion, Deputy City Clerk  
of the City of Port Hueneme and ex-  
officio Clerk of the Council

Dated: June 2, 2009



# City of Port Hueneme

*"The Friendly City By The Sea"*

March 31, 2010

Mr. Don Facciano, President  
Ventura County Taxpayer's Association  
P.O. Box 3878  
Ventura, CA 93003

**Re: Port Hueneme Utility Users Tax**

Dear Mr. Facciano:

City of Port Hueneme Council Member Doug Breeze and former Mayor and current VCTA Board Member Tony Volante have asked me to provide you an explanation of the application of the City's Utility Users Tax upon the City's voter-approved water rates.

The City of Port Hueneme went through the Proposition 218 process for increasing water rates last year. On March 18, 2009, the City Council at a noticed public meeting directed staff to send out the Proposition 218 notices regarding the proposed increases (copies of the notice and ballot, as well as copies of the staff reports, Powerpoint presentations, and consultant studies are enclosed).

On June 1, 2009, more than 45 days after the Proposition 218 notice and ballots were mailed to all property owners and water customers, the City Council at a properly noticed public hearing introduced Ordinance No. 690 (copy enclosed), that included a proposed rate increase schedule for a five year period. The City received 652 valid protests from property owners and customers. It would have taken 3,253 valid protests to prevent the Council from considering adoption of the proposed rate increase (copy of the Council Resolution 3923 declaring the results of the protest process is enclosed). On June 15, 2009, at a noticed public meeting the Council held the second reading of the Ordinance and adopted the Ordinance. The Ordinance by its terms called for the rate increases to commence on August 1, 2009.

## Letter to Don Facciano, VCTA: Application of UUT on Water Rates

March 31, 2010

Page 2

The City believes it adhered to all of the requirements of Proposition 218 with regard to the water rate increase process.

It appears that for reasons that are somewhat unclear to us, a resident believes that the City either did not follow the Proposition 218 process properly or is somehow improperly calculating the City's Utility Users Tax ("UUT") on the new water rates. If it is the latter, then the following information may be useful to you.

The City's UUT went into effect on November 5, 1996 following successful passage of the tax by voters. Such as was codified in Section 5409 of the City's Municipal Code:

### *5409. Water Users Tax.*

*(a) There is hereby imposed a tax upon every person in the City using water which is delivered through mains or pipes. The tax imposed by this section shall be at the rate of four (4) percent of the charges made for such water and shall be paid by the person paying for such water.*

*(b) There shall be excluded from the base on which the tax is imposed in this section is computed, charges made for water which is to be resold and delivered through mains or pipes.*

*(c) The tax imposed in this section shall be collected from the service user by the person supplying the water. The amount collected in one (1) month shall be remitted to the Tax administrator on or before the last day of the following month.*

The Code clearly states that the City shall impose a tax on all water customers at a rate of 4% on the charges made for such water. Thus, the City is imposing the 4% UUT on the new water rates.

A review of the City's imposition of the UUT on water rates shows an inconsistent application of the tax. During the time period between 1994 (when the UUT was enacted) and January of 1999, the entire water bill was subject to UUT. Staff discussed this application with Jim Hanks, the City's former Finance Director during this time period, and he stated that the intent of the UUT when enacted was to apply the tax to the entire water bill.

From 1999 through 2003 for reasons that staff cannot determine the UUT was only collected on approximately 85% of the bill. The UUT was not imposed on that portion of the water rate that was identified as a "service charge". From 2003 to 2006 a different definition of "service charge" was used to apply UUT, which reduced the tax collected to approximately 40% of the bill. From 2006 to 2008, the UUT was collected on approximately 45% of the bill. From 1994 to present UUT has been charged on "usage", "service charges" and "fixed charges" on irrigation accounts.

**Letter to Don Facciano, VCTA: Application of UUT on Water Rates**

March 31, 2010

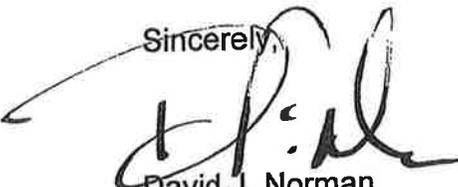
**Page 3**

There was no Council action taken to suspend imposition of any portion of the UUT on water rates so it appears that somehow an error was made and some water customers were not charged the entire amount of the UUT that the City had the legal authority to impose. While a long time customer might come to conclusion that his or her UUT charge has been increased improperly, in reality it appears that some long term customers were erroneously not paying the amount of the UUT that was authorized to be imposed. Thus, they actually benefitted from the City's error.

In conclusion, although it appears the City has had various applications of the UUT on the water charges since 1999, the City believes that the current application of applying the tax to all water charges is the correct one and is supported by the language of the UUT as it applies to the water charges.

Hopefully you will find the above information satisfactory. Please contact me should you have further questions.

Sincerely,



David J. Norman  
City Manager

Enclosures as noted above

c (w/o enclosures):

City Council  
Robert Bravo, Finance Director  
Al Burrell, Accounting Manager  
Tony Volante

**Norman, David**

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**From:** Bravo, Robert  
**Sent:** Tuesday, October 20, 2009 12:21 PM  
**To:** 'AllenCS@webtv.net'  
**Cc:** Burrell, Al  
**Subject:** FW: Skulduggery ?

Mr. Shute

Thank you for your interest in the City's Utility User Tax (UUT). As you are well aware, with the transition to billing based on volumetric usage, the City's Water Fund has undergone a major transformation with water rates and charges. One of the unintended consequences of this transformation was the impact of the UUT on all water charges.

The UUT went into effect in 1994, with Section 5409 dealing with water utilities. You are correct the water utility section lacks clarity. We have gone through City Council Meeting minutes from 1994 to 2008 and no clear definition of the application of UUT was found. We examined all water rate increase ordinances from 1990 to 2008 and application of UUT was not in the documents. The document that comes closest to defining water charges is PHMC section 7101.5, which states "Water charges means charges and fees (including, if applicable, penalties and interest) assessed for domestic water service in accordance with this chapter". We researched UUT Ordinances from other California cities and most were as ambiguous as ours, but a few were clear as to what constituted water charges for UUT application. The ordinances that were clear applied UUT to the entire water bill. We researched the subject through the California Public Utility Commission Code, which states, "This tax is usually collected as a percentage of the utility bill" and "shall apply to the customers within the municipality imposing them".

Unfortunately, our history shows an inconsistent application of the tax. We could not find data on utility bills between 1994 and January of 1999, but discussions with the former Finance Director during this time period revealed that the entire water bill was subject to UUT during this time period. From 1999 to 2003 UUT was collected on approximately 85% of the bill, excluding a very small portion called a "service charge". From 2003 to 2006 a different definition of "service charge" was used to apply UUT, which reduced the tax collected to approximately 40% of the bill. From 2006 to 2008, the UUT was collected on approximately 45% of the bill. From 1994 to present UUT has been charged on "usage", "service charge" and "fixed charge" and on irrigation accounts.

The water nomenclature and definitions have changed over the years. It appears from 1999 to 2003 "service charge" included administration costs and the lot charge. A study was done in 2003 that expanded the definition of service charge to include increases in labor (both administrative and

water personnel), maintenance, capital improvements and debt service. Most of these additions to service charge were previously included in water usage charges. The lot charge was still considered as part of water usage. The current water bill has a component called "fixed rate". Fixed Rate includes all costs except measured water usage.

In conclusion, it appears that UUT application was not the primary driver in changes in definitions for various components in water rate structure analysis. We don't believe the decisions made in the past were for nefarious reasons and I can assure you we are not making decisions in that vein today.

Thank you again for your interest in this matter,

Robert J. Bravo  
Finance Director  
City of Port Hueneme  
805.986-6520

-----Original Message-----

From: Allen Shute [mailto:AllenCS@webtv.net]  
Sent: Saturday, October 17, 2009 12:40 PM  
To: Burrell, Al  
Subject: Skulduggery ?

Mr. Burrell,  
Accounting/Revenue Manager (Finance Director?).  
Thank you very much for the information you sent me.  
I think the Utilities User Tax problem arises from the lack of clarity in the Utility User's Tax Ordinance wherein it states ... "(4%) of the charges made for such water". The word "charges" is not defined as it is in the phone/gas/electricity sections of the Ordinance.  
My very first billing dated 5/20/2004 shows the water charge as a separate charge and also shows a "service charge" not connected specifically to water. The utility tax is indeed 4% of the water charge as it is on a billing dated 2/1/2006. Subsequent new billings (blue) then show a W1 Service Charge and a W1 Water-MU charge for which a 4% tax is charged only for the Water-MU. The newest billing under the new Ordinance No. 690 now shows "Water Service Fixed Rate" as one charge and "Consumption" as a separate charge. The Utility User Tax is now applied to both charges. Does the "Fixed Rate" charge now hide the old "Service Charge". Who dreamed up this skulduggery ?  
Mr. Burrell, can you explain this tax on a service charge and what does the service charge include? I look forward to your reply to my query. Thanks./Allen Shute

## Ventura County Taxpayers Association

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**From:** Bravo, Robert [rbravo@ci.port-hueneme.ca.us]  
**Sent:** Tuesday, ~~November 03~~ 2009 3:33 PM  
**To:** Allen Shute  
**Subject:** RE: Utility User Tax

Mr. Shute,

I apologize for the confusion on paragraph 3 of my original email. The last sentence of that paragraph was only referring to irrigation accounts. The sentence should have read "For 1994 to present UUT has been charged on "usage", "service charge" and "fixed charge" on irrigation accounts."

Thanks again for your interest in the City's Utility Billing process.

Robert J. Bravo  
Finance Director  
City of Port Hueneme  
250 North Ventura Road  
Port Hueneme, CA 93041  
(805) 986-6520

-----Original Message-----

**From:** Allen Shute [mailto:AllenCS@webtv.net]  
**Sent:** Sunday, ~~November 01~~, 2009 11:54 AM  
**To:** Bravo, Robert  
**Cc:** kshute.home@verizon.net  
**Subject:** Utility User Tax

Mr. Bravo:

Thank you for your E-mail response of 10/20/09 regarding UUT.

You state in paragraph 3 "from 1994 to present UUT has been charged on "usage", "service charge" and "fixed charge" ... .

That is not the case as to "service charge".

A sampling of my utility bills show the following for:

May 2004 water service \$39.70 and UUT \$1.59.

February 2006 water \$39.70 and UUT \$1.59.

August 2008 W1 water-mu \$50.34 and UUT \$2.01.

As you can see the UUT was 4% of water charges and the separate line item "service charge" was not taxed and shows no relationship to water charges.

The newest billing of October 2009 showing "fixed rate" and "consumption" now includes (hides?) the previous line item "service charge" which is now being taxed.

Mr. Bravo, my UUT charge has increased 72.6368% and is, in my opinion, a new tax which I did not vote on and is in violation of the 1996 proposition 218 which requires a two-thirds voter approval.

I await a response from you regarding the above.

Thank you very much.

Allen Shute

## Ventura County Taxpayers Association

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**From:** Bravo, Robert [rbravo@ci.port-hueneme.ca.us]  
**Sent:** Thursday, November 05, 2009 11:18 AM  
**Tr** Allen Shute  
**Subjct:** RE: Utility User Tax

Mr. Shute,

We have consulted with the City Attorney and he believes that we are imposing the UUT upon the use of water and all other utilities as provided by the City's Municipal Code; and therefore, not in violation of Proposition 218.

Thanks,

Robert J. Bravo  
Finance Director  
City of Port Hueneme  
250 North Ventura Road  
Port Hueneme, CA 93041  
(805) 986-6520

-----Original Message-----

**From:** Allen Shute [mailto:AllenCS@webtv.net]  
**Sent:** Tuesday, November 03, 2009 5:21 PM  
**To:** Bravo, Robert  
**Cc:** "shute.home@verizon.net"  
**Subjct:** RE: Utility User Tax

Mr. Bravo:

Thank

you for your partial response to my last E-mail however, you did not address the last paragraph regarding the 72.6% increase in UUT and the possible violation of Proposition 218. Will you please do so?

Thank you,  
Allen Shute

## Ventura County Taxpayers Association

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**From:** Bravo, Robert [rbravo@ci.port-hueneme.ca.us]  
**Sent:** Tuesday, November 17, 2009 4:03 PM  
**To:** Allen Shute  
**Subject:** RE: Utility UserTax

Mr. Shute,

Sorry for the delay in my response.

When we established the rates, we projected all the costs of the water fund (including water cost, salaries and benefits, and capital costs) and then we determined the charges required to recover these costs. To encourage conservation and reward lower usage, we calculated that by charging residential customers in the first year on an 80% fixed charge and 20% variable charge basis (based on average consumption) we would generate sufficient revenues to cover all costs. In the coming years these percentages will be adjusted to be 50% fixed and 50% variable giving the consumer more control over their charges, but with the expectation that this formula will also recover all water fund costs.

In summary, there is no direct connection between any fixed costs and the fixed rate. ?

Thanks again for your continued interest in this issue.

Robert J. Bravo  
Finance Director  
City of Port Hueneme  
250 North Ventura Road  
Port Hueneme, CA 93041  
(805) 986-6520

↓  
based  
on  
costs

-----Original Message-----

**From:** Allen Shute [mailto:AllenCS@webtv.net]  
**Sent:** Sunday, November 08, 2009 11:24 AM  
**To:** Bravo, Robert  
**Cc:** Kshute.home@verizon.net  
**Subject:** RE: Utility UserTax

Mr. Bravo:

Please tell me, in detail, what is included in the "fixed rate" under "water services"  
Thank you,  
Allen Shute



# City of Port Hueneme

October 21, 2010

Mr. Allen Shute  
37 West Garden Green  
Port Hueneme, CA 93041

**Re: Port Hueneme Utility Users Tax**

Dear Mr. Shute:

As you had requested at our meeting of October 4, 2010, I am providing you with evidence of the City applying the Utility Users Tax (UUT) to all water charges. As can be seen in the attached billing record dating from 1996, the City had only one type of charge, the Water Charge. This Water Charge was the only charge that had the UUT applied to it and no other water related charges, such as Service Charge or Lot Charge, existed at the time. Based on information presented to us by the Finance Director employed at the inception of the UUT, we have no reason to believe that the billing practice in 1994 was different than that practiced in 1996.

This application of the tax is consistent with the City's position that the original intent of the UUT was to apply the tax to all water charges and is not a "new tax", as you have previously stated. In addition, although you have claimed the water charges are not defined in the City's Municipal Code (as they are for Gas and Electricity, which have various charges), we believe such a definition would not have been necessary since at the time of the passage of the UUT the City had only one water related charge.

In conclusion, the City continues to believe that the current practice of taxing all water charges is properly applied and is supported by the language of the UUT. Please contact me should you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Bravo".

Robert J. Bravo  
Finance Director

c: City Council  
City Manager  
City Attorney

250 North Ventura Road • Port Hueneme, California 93041 • Phone (805) 986-6500

*"The Friendly City By The Sea"*



**CITY OF PORT HUENEME**  
MUNICIPAL WATER DEPARTMENT  
250 NORTH VENTURA ROAD • 956-6524  
PORT HUENEME, CALIFORNIA 95041

FIRST CLASS MAIL  
U.S. POSTAGE  
PAID 1 OZ.  
PERMIT NO. 56  
PT. HUENEME, CA.

ADDRESS CORRECTION REQUESTED  
RETURN POSTAGE GUARANTEED

DELINQUENT AFTER 06 20 96

ACCOUNT NO.  
**71048**  
SERVICE TO  
**06/30/96**

ACCOUNT NO.	METER READINGS	PRESENT	PREVIOUS	TOTAL	
71048					
SERVICE TO		SERVICE ADDRESS			
06/30/96		[REDACTED] E C ST			
WATER		SEWER	TRASH	4% TAX	CURRENT TOTAL
76.00		132.00	118.40	3.04	329.44
MAILING ADDRESS				PREVIOUS BALANCE	
[REDACTED]				293.92	
				AMOUNT DUE	
				623.36	

WATER	76.00
SEWER	132.00
TRASH	118.40
4% TAX	3.04
CURRENT TOTAL	329.44
PREVIOUS BALANCE	293.92
AMOUNT DUE	623.36

PLEASE RETURN THIS STUB  
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ALL BILLS DUE AND PAYABLE UPON RECEIPT. BILLS NOT PAID BY THE 20TH OF THE MONTH MAY BE DISCONNECTED AND ADDITIONAL CHARGES AS PRESCRIBED BY APPLICABLE CITY ORDINANCES WILL BE ENFORCED.



**CITY OF PORT HUENEME**  
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RETURN POSTAGE GUARANTEED

DELINQUENT AFTER 06 20 96

ACCOUNT NO.  
**10685**  
SERVICE TO  
**06/30/96**

ACCOUNT NO.	METER READINGS	PRESENT	PREVIOUS	TOTAL	
10685					
SERVICE TO		SERVICE ADDRESS			
06/30/96		[REDACTED] W A ST			
WATER		SEWER	TRASH	4% TAX	CURRENT TOTAL
40.00		66.00	59.20	1.60	166.80
MAILING ADDRESS				PREVIOUS BALANCE	
[REDACTED]				86.72	
				AMOUNT DUE	
				253.52	

WATER	40.00
SEWER	66.00
TRASH	59.20
4% TAX	1.60
CURRENT TOTAL	166.80
PREVIOUS BALANCE	86.72
AMOUNT DUE	253.52

PLEASE RETURN THIS STUB  
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ALL BILLS DUE AND PAYABLE UPON RECEIPT. BILLS NOT PAID BY THE 20TH OF THE MONTH MAY BE DISCONNECTED AND ADDITIONAL CHARGES AS PRESCRIBED BY APPLICABLE CITY ORDINANCES WILL BE ENFORCED.



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DELINQUENT AFTER 06 20 96

ACCOUNT NO.  
**561711**  
SERVICE TO  
**06/30/96**

ACCOUNT NO.	METER READINGS	PRESENT	PREVIOUS	TOTAL	
561711					
SERVICE TO		SERVICE ADDRESS			
06/30/96		[REDACTED] 3RD ST/319 E SCOT			
WATER		SEWER	TRASH	4% TAX	CURRENT TOTAL
80.00		132.00	118.40	3.20	333.60
MAILING ADDRESS				PREVIOUS BALANCE	
[REDACTED]				167.79	
				AMOUNT DUE	
				501.39	

WATER	80.00
SEWER	132.00
TRASH	118.40
4% TAX	3.20
CURRENT TOTAL	333.60
PREVIOUS BALANCE	167.79
AMOUNT DUE	501.39

PLEASE RETURN THIS STUB  
WITH PAYMENT

ALL BILLS DUE AND PAYABLE UPON RECEIPT. BILLS NOT PAID BY THE 20TH OF THE MONTH MAY BE DISCONNECTED AND ADDITIONAL CHARGES AS PRESCRIBED BY APPLICABLE CITY ORDINANCES WILL BE ENFORCED.