



CITY COUNCIL AGENDA REPORT

REPORT OF CITY MANAGER/EXECUTIVE DIRECTOR/SECRETARY AGENDA ITEM NO. G.2

DATE: September 7, 2021

TO: City Council

FROM: Alexander Nguyen, City Manager, (805) 385-7430, alexander.nguyen@oxnard.org

SUBJECT: Infrastructure Use Fee Refund and Utility Rate Reduction.

RECOMMENDATION

That the City Council receive a report regarding the Infrastructure Use Fee (IUF) credit and utility rate reduction, and approve and authorize the following:

1. The refund of IUF funds totaling \$7,112,897 paid by Oxnard utility customers during the period of January 1, 2020 through August 31, 2021, with Water customers receiving a credit totaling \$3,208,214, Wastewater customers receiving a credit totaling \$2,015,000, and Environmental Resources customers receiving a credit totaling \$1,889,683;
2. The reduction of utility rates by a combined estimated total of \$3,556,448 (a 3.2 percent reduction) for the period September 1, 2021 through June 30, 2022 to reflect the elimination of the IUF for this time period. Water rates will be reduced by an estimated \$1,604,106, Wastewater rates by an estimated \$1,007,500, and Environmental Resources rates by an estimated \$944,842;
3. In Fiscal Year 2022-23 and beyond, the City's full and continued compliance with the Second Amended Final Judgment filed July 13, 2021 regarding utility rates and a new IUF consistent with this judgment. (Case No.: 56-2017-00494475-CU-WM-VTA); and
4. The Chief Financial Officer or designee to approve administrative budget adjustment for the impacted revenue reductions in the Water, Wastewater and Environmental Resources funds for Fiscal Year 2021-22.

BACKGROUND

The City currently has between approximately 40,000 and 47,000 customer accounts, which varies based upon the specific utility. The average customer, across all classes, was billed \$274 per month, or \$5,480 over the 20-month period for all three utilities combined.

As part of the rate studies previously conducted to develop rates for the three utilities (Water, Wastewater and Environmental Resources), an IUF was incorporated into the rate models. Including the IUF resulted in an increase in total expenditures for each utility, thereby increasing the rates to a level that was higher than would have otherwise been calculated.

Consistent with the Court's order and pursuant to the recommended actions, the City will remove the IUF from the City's rate structure by reducing utility rates by a combined 3.2%, or an estimated \$3,556,448 million effective September 1, 2021 through June 30, 2022. These reductions are estimated to reduce the rates for Water by \$1,604,106, Wastewater by \$1,007,500, and Environmental Resources by \$944,842. The reduced rates will remain in effect until the City completes and adopts new IUF study(ies) and/or new rate study(ies). The total annual impact of the rate reductions is an estimated \$4,267,738. The actual reduction for each customer will depend on the usage of water and wastewater services, and the

type of Environmental Resources services that each customer receives from the City.

In addition, pursuant to the recommended action, all existing residential and commercial utility customers will receive a one-time credit in September that will appear on their October 2021 utility bill. This means that all existing customers will be credited for 20 months of IUF payments (January 2020 through August 2021) on their October 2021 utility bill. The City will credit a total of \$7,112,897 to its residential and commercial ratepayers of the three utilities. (Water - \$3,208,214, Wastewater - \$2,015,000, Environmental Resources - \$1,889,683). **The specific amount of the one-time credit will be calculated based on each customer's actual Water, Wastewater and Environmental Resources charges from January 2020 to August 2021.**

For former utility customers, one of three options will apply:

1. If a customer moved out and terminated their utility account between January 2020 and August 2021 and left their account balance at \$0 (i.e., paid the utility accounts in full), then the amount of one-time credit will be posted to their closed utility account, the account will show a credit balance, and a refund check will be mailed to the former customer at the mailing address on file.
2. If a customer moved out and terminated their utility account between January 2020 and August 2021 and left an outstanding balance, then the amount of the one-time credit will be posted to their closed utility account and the credit will be applied against the outstanding balance. If the credit amount is larger than the balance owed, the account will end up with a refund. A refund check will be mailed to the former customer at the mailing address on file.
3. If a customer moves out and terminated their utility account on or after September 1, 2021, the customer would have received the one-time credit and was charged the reduced rate prior to closing the account. No further refund would be due.

STRATEGIC PRIORITIES

This agenda item supports the Infrastructure and Natural Resources strategy. The purpose of the Infrastructure and Natural Resources strategy is to preserve and improve our roads, utilities, parks, trees, water supply and natural resources through effective planning, prioritization, and an equitable and efficient use of available funding.

FINANCIAL IMPACT

This action involves authorizing the one-time credit of \$7,112,897, and reducing ongoing utilities rates by a combined 3.2% for FY 2021-22, resulting in a revenue decrease in FY 2021-22.

Each of the three (3) utilities has sufficient funding in their respective fund balances to fund both the one-time credit and to absorb the impact to revenues of the current rate reduction in FY 2021-22.

COMMITTEE OUTCOME

This item did not originate in Committee.

Prepared by: Kenneth Rozell, Chief Assistant City Attorney, Juanita Guzman, Administrative Services Manager

ATTACHMENTS

None