

**City of Culver City, California
Agenda Item Report**

Meeting Date: 05/07/12		Item Number: <u>C-8</u>	
CITY COUNCIL AGENDA ITEM: Approval of Professional Services Agreement with NBS Government Finance Group dba NBS for (1) Preparation of the Annual Sewer User Service Charges and (2) Update to the Sewer User Service Charges			
Contact Person/Dept.: Mate Gaspar/PW		Phone Number: (310) 253-5602	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☐ Attachments: ☐	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification: (E-Mail) Agenda and Meetings – City Council (05/02/12); NBS and Creelman and Associates (04/30/12).			
Department Approval: Charles D. Herbertson (04/25/12)		City Attorney Approval: Carol Schwab (by H. Baker) (04/30/12)	
Chief Financial Officer Approval: Jeff Muir (by K. Marsden) (05/01/12)		City Manager Approval: John M. Nachbar (05/02/12)	

RECOMMENDATION:

Staff recommends the City Council approve professional services agreement with NBS Government Finance Group dba NBS for the preparation of the annual sewer user service charges and an update to the sewer user service charges.

BACKGROUND:

A major challenge confronting agencies responsible for wastewater infrastructure, transportation, treatment, and disposal is acquiring adequate funds to finance and operate facilities and capital equipment, along with implementation of appropriate pricing structures to ensure the self-sufficiency of the utility. The financing vehicle that is used by the utility and the timing of the financing are crucial in ensuring that wastewater customers are appropriately paying for facilities that they need and not inappropriately financing facilities for future customers. It is a major goal of an effective financial plan to 'match' the economic impact on customers with the benefits received from the service.

Regulations governing Federal and State grant funds require the City of Los Angeles to maintain a Cost Recovery Program (Sewer User Charges System) which includes all operations and maintenance costs directly or indirectly related to the treatment and collection of liquid waste discharge by residents and businesses. As a result of Culver City's contractual relationship with the City of Los Angeles for wastewater treatment at the Hyperion Treatment Facility, Culver City is also required to recover from each wastewater user their proportionate share of the costs incurred for wastewater collection capital improvements within Culver City, wastewater system operation and maintenance, City of Los Angeles capital improvements for

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conveyance to Hyperion and operation and maintenance at Hyperion. Accordingly, Culver City adopted a plan to collect wastewater user charges and implemented it for the first time in fiscal year 1980/1981.

The City recovers wastewater user charges on an annual basis. Since the plan's inception, the County Auditor-Controller's Office and the annual property tax bill, have been utilized as the vehicle for both billing and collection. This method has proven to be both functionally satisfactory and exceptionally economical over the last thirty-one years.

In order to achieve a fair and equitable system of wastewater user charges, users are charged in a manner consistent with their actual use of the system. This comprises not only the flow quantity, but also the wastewater strength (quality) as characterized by BOD (biochemical oxygen demand) and SS (suspended solids).

Pursuant to the Culver City Municipal Code, in fiscal year 2003/2004 the City reviewed and approved an update to the Sewer Users' Service Charges (SUSC) structures and billing formulas to ensure that the City utilizes an effective pricing structure that fully complies with the requirements of Proposition 218. Additionally, the City wanted to ensure that its sewer pricing structure continues to achieve the goals and objectives of the community, while maintaining a fair and equitable distribution of costs to all of its customers.

DISCUSSION:

Since 1997, the City has utilized consultants to prepare the annual SUSC. There are approximately 12,756 parcels with a total of 16,700 residential or business units in Culver City that are charged a SUSC. The charges are due to the Los Angeles County Assessor's Office in early August of each year. The consultant is required to obtain the water data from Golden State Water Company and from the City of Los Angeles' Department of Water and Power for a very small portion of parcels served by them. The data is then used to calculate the charge based on the City Council approved SUSC formulas.

The existing contract with Karen Scott Associates for the preparation of the annual SUSC has concluded. Karen Scott Associates has served the City very well since 2002 and also as a sub-consultant under another consultant from 1997 to 2002, for the same preparation of the annual SUSC.

Staff sought proposals from several firms specializing in the preparation of charges on the annual property tax roll. The results are as follows:

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Name of Firm	Amount
NBS Government Finance Group dba NBS	\$15,500
Creelman and Associates	\$34,360
Karen Scott Associates	Declined to submit

NBS is a consulting firm that specializes in the processing of the annual assessment levies to assessment districts for many agencies in the region. The City and the former Redevelopment Agency have contracted with NBS to prepare landscape assessment districts and other assessment studies. They have provided excellent services and are recommended by other agencies. Staff recommends that the City Council approve a professional services agreement with NBS for the calculation of the SUSC for fiscal year 2012/2013. Staff also recommends that the City Council authorize the Public Works Director/City Engineer to administratively approve 1 year extensions to the professional services agreement up to total of 5 years.

In addition NBS is capable of conducting rate analysis of charges levied by agencies. Their staff is well versed with many years of experience on the placement of new or update of existing charges or assessments levied by government agencies. As such, staff requested a proposal from NBS to conduct an in-depth review of the existing SUSC and to determine if they are fair and equitable across users groups in light of the cost of operating and maintaining Culver City's sewer system and the cost passed on to the City of Los Angeles to treat the sewage. Also the rate analysis will include a review of concerns expressed by restaurants regarding the SUSC charges.

NBS has provided a proposal in a not-to-exceed amount of \$26,700 for this effort. The following is the scope of work determined in communication between staff and NBS:

- Restaurant charges, particularly strength factors used to calculate BOD and TSS-related charges.
- Commercial and multi-family residential customer classes, particularly the 15% landscape irrigation credit for multi-family accounts.
- Use of a 42% credit for landscape irrigation, what impacts this has on residential rates, and whether there are better alternatives and/or mechanisms for handling these irrigation credits.
- Whether revenue requirements are appropriately allocated to each customer class
- How capital improvement projects, including repair and replacement costs, should be funded going forward.
- Sewer fund reserve balances and establishing and maintaining sufficient reserves.
- Reviewing the description of base charge and commodity charges and recommend revised language that is understandable to rate payers.

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Should the City Council approve the proposed agreement this evening, the final report by NBS will be presented with recommendations to the City Council at the June 25, 2012 public hearing for the annual levy of SUSC for fiscal year 2012/2013.

FISCAL ANALYSIS:

The sewer operating account number 20466100.618900 has sufficient funds available for these proposed services.

MOTIONS:

That the City Council:

- 1.) Approve a professional services agreement with NBS Government Finance Group dba NBS for the preparation of the annual sewer user service charges for an amount not to exceed \$15,500, including expenses with up to four additional one-year extensions subject to the approval of the Director of Public Works/City Engineer; and,
- 2.) Approve a professional services agreement with NBS Government Finance Group dba NBS for the rate analysis of the sewer user service charges, in an amount not-to-exceed \$26,700; and
- 3.) Authorize the City Attorney to review/prepare the necessary documents; and,
- 4.) Authorize the City Manager to execute such documents on behalf of the City.