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ENGINEER'S REPORT

ON THE ANNUAL LEVY

2026-2027

SEWER USER'S SERVICE CHARGE

IN THE CITY OF CULVER CITY UNDER THE PROVISIONS OF CHAPTER 5.02 OF THE CODE OF THE CITY OF CULVER CITY, CALIFORNIA

FILED with the City Clerk
On July 8, 2026

PRESENTED to the City Council
and APPROVED by Resolution
No. 2026-RXX, adopted by said
City Council on July 13, 2026
and thereafter filed in the
Office of the City Clerk

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City Clerk
City of Culver City

TO: The Honorable Mayor and Members of the City Council

FROM: Yanni Demitri, Public Works Director and City Engineer

CITY ENGINEER'S REPORT FOR SEWER USER'S SERVICE CHARGES FOR FISCAL YEAR 2026-27

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Yanni Demitri, P.E. RCE 63388
Public Works Director/City Engineer

1.0 Introduction

A major challenge confronting those responsible for wastewater infrastructure, transportation, treatment and disposal is acquiring adequate funds to finance and operate facilities and capital equipment, along with implementing 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 (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 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 1980-81.

The City recovers wastewater user charges on an annual basis. Since the plan's inception, the County Auditor-Controller's offices, 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.

2.0 <u>Discussion</u>

In 2012, the City Council awarded a contract to NBS Government Finance Group dba NBS to conduct an in-depth review of the existing SUSC and determine if they were fair and equitable to each customer class taking into consideration the cost of City of Los Angeles services to convey and treat the wastewater and Culver City's costs for collection and conveyance of the sewage in its own system.

NBS determined the following findings:

1. The City's current sewer rates need to be adjusted to collect more revenue from single family customers and less from other customer classes, particularly commercial/restaurant customers.

2. The City should collect approximately 60% of rate revenue from base charges and 40% from its commodity charges based on the classification of current expenses as either fixed or variable. The City collected 90% of rate revenue from commodity charges. Fixed costs (which are associated with Base charges) are personnel costs (including cost for maintenance of the City's sewage collection system), office expense, and 75% of administrative charges and consultant support costs. These costs do not vary directly with the quantity of sewage produced. Variable costs (which are associated with Commodity Charges) are what the City pays to the City of Los Angeles for wastewater treatment-related costs, utilities at the pump stations, and 25% of administrative charges and consultant support. These charges are more directly tied to the quantity of sewage produced.

3. Existing landscape irrigation credits of 42% for residential customers are reasonable.

In addition, NBS prepared 5-year financial plan/revenue requirements (2012/13 through 2016/17) for the sewer enterprise fund. These requirements are based on several factors such as NBS' recommended targets for operating, capital and debt reserve balances and the City's projected capital improvement program.

On July 22, 2013, after a 45-day public notice, the City Council, after receiving and hearing all public comment, adopted rate increases of 4% across all customer classes for each Fiscal Years, 2013-2014, 2014-15 and 2015-16, with the exception of only a 3% rate increase for single family residences in Fiscal Year 2015-2016. In addition, base charges were adjusted to a 60% / 40% revenue split.

For Fiscal Year 2016/17 no rate increase was proposed or approved.

For Fiscal Year 2017/18, the City Council approved a rate increase of 2.7% based on the Bureau of Labor Statistics February Consumer Price Index for All Urban Consumers for the Los Angeles – Riverside - Orange County area for the prior 12-month period ending February 2017 for Fiscal Year 2017/2018.

For Fiscal Year 2018/19 the City Council approved a rate increase of 3.6% based on the Bureau of Labor Statistics February Consumer Price Index for All Urban Consumers for the

Los Angeles area for the prior 12-month period ending February 2018 for Fiscal Year 2018/2019.

For Fiscal Year 2019/20 the City Council approved a rate increase of 2.5% based on the Bureau of Labor Statistics February Consumer Price Index for the Los Angeles area for the prior 12-month period ending February 2019.

For Fiscal Year 2020/21 the City Council, due to the severe impacts to both individuals and businesses caused by the COVID-19 pandemic, per the direction of the City Council there was no increase to the charges.

For Fiscal Year's 2021/22 thru 2023/24, due to sufficient reserves, there was no increase proposed.

In Fiscal Year 2022/23 the City hired NBS to conduct a rate study as the last study was conducted in Fiscal Year 2012/13. The study was received and filed by staff. The Sewer Enterprise Fund had sufficient reserves and did not require a rate increase.

For Fiscal Year 2024/25 the City Council approved a rate increase of 3.4% based on the Bureau of Labor Statistics February Consumer Price Index for the Los Angeles area for the prior 12-month period ending February 2024.

For Fiscal Year 2025/26 the City Council approved a rate increase of 3.1% based on the Bureau of Labor Statistics February Consumer Price Index for the Los Angeles area for the prior 12-month period ending February 2024.

The required reserve balance is $1.6 million per the sewer bond covenants and is in a separate account and not part of the following sewer cash expenditure table.

Saff proposes for Fiscal Year 2026/2027 that the City Council approve a rate increase of 2.9% based on the Bureau of Labor Statistics February Consumer Price Index for All Urban Consumers for the Los Angeles area for the prior 12-month period ending February 2026. The 2.9% increase is reflected in the following table, Sewer – Operating, for Proposed 2026-27 budget.

	2024-25	2025-26	2026-27
	Actuals	**Revised Budget (Estimated)**	**Proposed Budget (Estimated)**
Beginning Unreserved Cash Balance	**24,659,749**	**24,977,424**	**10,458,137**
Revenues			
Sewer - Operating	8,715,610	8,955,000	9,215,000
Industrial Waste Inspection Fees	147,382	150,000	150,000
Sewer Facility - LA	189,339	135,000	285,000
Sewer Facility - CC	198,519	150,000	245,000
Interest Income	1,202,906	204,000	204,000
Miscellanous Revenue	369	0	0
Total Revenue	**10,454,125**	**9,594,000**	**10,099,000**
Less: Operating Costs			
Salaries and Benefits	1,714,645	2,064,201	2,220,419
Other Culver City Operating Costs	2,335,650	3,927,347	2,544,246
L.A. Hyperion Operating (50/50 split)	1,136,207	1,728,231	1,500,000
Bond Debt Service - Principal	895,000	940,000	990,000
Bond Debt Service - Interest	703,150	669,200	620,950
Total Operating Exp (less Depreciation)	**6,784,653**	**9,328,979**	**7,875,615**
Less: Capital Projects			
L.A. Hyperion Capital (50/50 split)	1,136,207	1,728,231	1,500,000
PF036 - Public Works-Engineering Office	0	0	0
PS005 - Arterial Street Pavement Rehab	0	0	360,000
PS012 - Sewer Emerg. Notifcation Sys.	2,500	422,950	0
PW003 - Fox Hills/Bristol Swg Pmp Stat	1,925,498	7,387,839	0
PZ230 - Sewer Local & Emergency	287,592	2,301,291	500,000
PZ521 - Sewage Pump Station	0	797,274	0
PZ906 - Priority Sewer Main Rehab	0	1,880,000	0
PZ946 - Sewer Pipeline Diversion	0	266,723	0
Total Capital Projects	**3,351,797**	**14,784,308**	**2,360,000**
Total Expenses	10,136,450	24,113,287	10,235,615
Net Surplus/Deficit	317,675	-14,519,287	-136,615
Ending Unreserved Cash Balance	**24,977,424**	**10,458,137**	**10,321,522**

3.0 Recommendation

Staff proposes for Fiscal Year 2026/2027 that the City Council approve, per its authority under City Code Section § 5.02.035 F, a rate increase of 2.9% based on the Bureau of Labor Statistics February Consumer Price Index for All Urban Consumers for the Los Angeles area for the prior 12-month period ending February 2026 as shown in the following table:

Customer Class	Current Annual Rates		Proposed Rates FY 2026/27	
	Base Charge	Commodity Rate (per W[5])	Base Charge	Commodity Rate (per W[5])
101 Single-Family [1]	$319.49	1.45 x 0.58W	$328.76	1.49 x 0.58W
102 Multi-Family [2]	$256.26	1.45 x 0.85W	$263.69	1.49 x 0.85W
200 Commercial/Business [3]	$319.49	4.13 x W	$328.76	4.24 x W
300 Commercial/Restaurants [3]	$319.49	8.22 x W	$328.76	8.45 x W
400 Institutional [3]	$319.49	4.37 x W	$328.76	4.49 x W
500 Schools/Public [3]	$319.49	3.37 x W	$328.76	3.46 x W
601 Special [3,4]	$319.49	4.85 x W	$328.76	4.99 x W
602 Special [3,4]	$319.49	6.43 x W	$328.76	6.61 x W
603 Special [3,4]	$319.49	6.44 x W	$328.76	6.62 x W
604 Special [3,4]	$319.49	4.5 x W	$328.76	4.63 x W
605 Special [3,4]	$319.49	3.83 x W	$328.76	3.94 x W
606 Special [3,4]	$319.49	0 x W	$328.76	0 x W
608 Special [3,4]	$319.49	5 x W	$328.76	5.14 x W
610 Special [3,4]	$319.49	0 x W	$328.76	0 x W
612 Special [3,4]	$161.04	0 x W	$165.71	0 x W
613 Special [3,4]	$319.49	0.42 x W	$328.76	0.43 x W
614 Special [3,4]	$319.49	3.51 x W	$328.76	3.61 x W
615 Special [3,4]	$319.49	4.97 x W	$328.76	5.11 x W

1 Base charge is per parcel.

2 Base charge is per dwelling unit.

3 Base charge is per meter.

4 User descriptions of “Special” customer classes are on file at the City Engineer’s office.

5 W = hundred cubic feet (HCF) of water consumption; for Single-Family and Multi-Family, only 58% and 85%, respectively, of the annual water consumption will be used in the calculation of the sewer charge.

601 – 6000 Sepulveda Boulevard – Westfield Mall
602 – 6333 Bristol Parkway
603 – 5992 Green Valley Circle
604 – Southern California Hospital
605 – Sony Studios
606 – 6161 Centinela Avenue
607 – Not used
608 – 4065 Jackson Avenue – 50% of Code 101 + 50% of Code 300
609 – Not used
610 – Not used
611 – Not used
612 – Nurseries
613 – 10121 Jefferson Boulevard #4904651 – 10% of Code 200
614 – 10555 Jefferson Boulevard – 85% of Code 200
615 – 10824 Venice Boulevard – 20% of Code 300 + 80% Code 200

Per City Code Section § 5.02.035 F, Continue to use Los Angeles Auditor-Controller property tax roll for SUSC billing purposes for FY 2026-2027 as it eliminates costly billing systems, additional staff, and minimizes bad debt.