

MEETING DATE: 06/06/11

AGENDA ITEM: Adoption of a Resolution Approving the Preliminary Engineer's Report, Declaring the Intention to Order the Annual Sewer User Service Charge, and Setting the Date, Time, and Place for the Public Hearing for the Sewer User's Service Charge

ATTACHMENTS

		<u>Pages</u>
1	Resolution of Intention	1-3
2	Preliminary Engineer's Report	4-10

1 RESOLUTION NO. 2011-R_____

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
4 CULVER CITY, CALIFORNIA, APPROVING THE
5 ASSESSMENT ENGINEER'S REPORT, DECLARING ITS
6 INTENTION TO ORDER THE ANNUAL LEVY AND
7 COLLECTION OF ASSESSMENTS FOR THE SEWER
8 USER'S SERVICE CHARGES AND SETTING A TIME AND
9 PLACE FOR A PUBLIC HEARING THEREON.

10 WHEREAS, pursuant to the provisions of Culver City Municipal Code
11 ("CCMC") §5.02.035.A, the City Council previously established a system of sewer user's
12 service charges providing that each parcel of property shall pay its proportionate share of
13 the costs for operation, maintenance, repair and improvements of the City sewerage
14 system (the "Sewer User's Service Charges"); and

15 WHEREAS, the City Council desires to declare its intention to provide for the
16 levy and collection of annual assessments for Fiscal Year 2011-2012, to provide for the
17 costs and expenses necessary for the operation, maintenance, repair and improvements of
18 the City sewerage system; and

19 WHEREAS, the Engineer's Report has been prepared and filed with the City
20 Clerk and submitted to the City Council in accordance with CCMC §5.02.035.B; and

21 WHEREAS, the City Council has carefully examined and reviewed the
22 Engineer's Report as presented and is preliminary satisfied with the proposed report, each
23 and all of the budget items and documents as set forth therein and is satisfied that the levy
24 amounts, on a preliminary basis, have been allocated so that each parcel of property shall
25 pay its proportionate share of the costs for operation, maintenance, repair and
26 improvements of the City sewerage system as set forth in the Engineer's Report..
27
28

1 NOW, THEREFORE, the City Council of the City of Culver City, DOES
2 HEREBY RESOLVE as follows:

3
4 1. The Engineer's Report as presented, consisting of the following: a
5 description of the operation, maintenance, repair and improvements of the City sewerage
6 system, the estimated costs of operation, maintenance, repair and improvements, and the
7 formulas used to determine the sewer user service charges for the parcels, is hereby
8 approved on a preliminary basis and is on file in the Office of the City Clerk open for public
9 inspection.
10

11 2. It is the intention of the City Council to levy and collect assessments
12 for the Sewer User's Service Charges to pay the annual costs and expenses for the costs
13 for operation, maintenance, repair and improvements of the City sewerage system for the
14 fiscal year commencing July 1, 2011 and ending June 30, 2012. The operation,
15 maintenance, repair and improvements are generally described as: 90 miles of sewer
16 pipelines, seven sewer pump stations, and sewage transmission and treatment costs
17 payable to the City of Los Angeles per the executed Amalgamated Agreement with City of
18 Los Angeles. Costs include all necessary service, operations, administration and
19 maintenance required to keep the City's sewerage system in a healthy, vigorous and
20 satisfactory condition.
21

22 3. The Engineer's Report, as preliminarily approved by the City Council,
23 is on file with the City Clerk and open for public inspection. Reference is made to the
24 Engineer's Report for a full detailed description of the operation, maintenance, repair and
25 improvements to be maintained, and the proposed assessments upon assessable lots and
26 parcels of land within the City.
27
28

1 4. The maximum assessment is not proposed to increase from the
2 previous year above that previously approved by the property owners (as "increased
3 assessment" is defined in California Government Code §54954.6).

4 5. Notice is hereby given that a Public Hearing is scheduled to be held at
5 the Mike Balkman Council Chambers, 9770 Culver Boulevard, Culver City, California, on
6 June 27, 2011 at 7:00pm or as soon thereafter as the matter may be heard. All interested
7 persons, prior to the conclusion of the hearing, shall be afforded the opportunity to hear
8 and be heard. The City Council shall consider all oral statements or written communication
9 made or filed by any interested person.
10

11 6. The City Clerk is hereby directed to give notice of the Public Hearing
12 by causing the resolution of intention, or summary thereof, to be published, posted and
13 mailed as provided in CCMC §5.02.035.C.
14
15

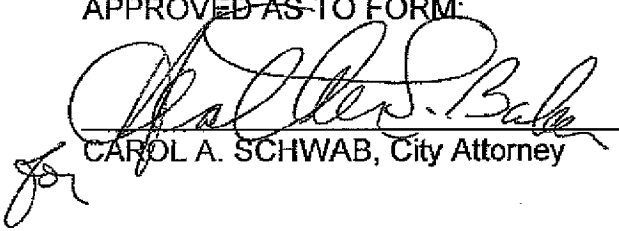
16 APPROVED AND ADOPTED this _____ day of _____ 2011.
17
18

19 _____
MICHEÁL O'LEARY, Mayor
20 City of Culver City, California

21 ATTEST:

22 APPROVED AS TO FORM:

23 _____
MARTIN R. COLE, City Clerk

24 for  _____
CAROL A. SCHWAB, City Attorney

25 A11-00236
26
27
28

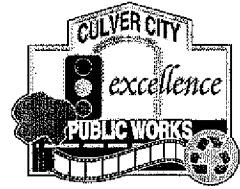


CHARLES D. HERBERTSON
Public Works Director/City Engineer

Culver **CITY**

PUBLIC WORKS DEPARTMENT

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CULVER CITY, CALIFORNIA 90232-0507



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ENGINEER'S REPORT

ON THE ANNUAL LEVY

2010-2011

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 June 01, 2011

PRESENTED to the City Council
and APPROVED by Resolution
No. 2011-R____, adopted by said
City Council on June 27, 2011
and thereafter filed in the
Office of the City Clerk

Martin Cole
City Clerk
City of Culver City

4

TO: The Honorable Mayor and Members of the City Council

FROM: Charles D. Herbertson, Public Works Director and City Engineer

CITY ENGINEER'S REPORT FOR SEWER USER'S SERVICE CHARGES FOR FISCAL YEAR 2011-12

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 over the last twenty eight 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 FY 2003-04 the City reviewed and approved the Sewer User's Service Charges (SUSC) structures and billing formulas to ensure that the City utilizes an effective pricing structure within the constraints 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.

2.0 Discussion

Staff recommends that the existing rates be affirmed for 2011-12 tax rolls. Staff believes, based on the current Sewer Fund balances and the anticipated revenues and costs, that the existing rates will protect the solvency of the Fund.

Credits for residential landscaping can be given in two ways. 1) Either the resident can install a separate water meter for landscaping which will not be assessed on the tax bill or 2) prove by submitting calculations and evidence that the percentage reduction in the tabled formula is not adequate.

Last year, the City of Los Angeles charged \$1,568,000 million for operations, maintenance and capital improvements for the treatment and conveyance of Culver City wastewater. For fiscal year 2011-12, the charge is projected to be about \$2,335,000.

3.0 Calculation of Annual Expenditures and Revenue

For fiscal year 2011-12 the estimated annual expenditures are as follows:

Operating Costs – City	\$3,414,001
Operating and Capital Projected charges from City of Los Angeles*	\$2,335,000
Debt Service on Sewer Bond	\$1,604,300
<u>Capital Projects – City</u>	<u>\$ 4,320,000</u>
 Total FY 2011-2012 budget	 \$ 11,673,301

Table 1 shows the Five-Year Cash Flow Projection for the Sewer Enterprise Fund.

*Operating and capital projects charges from the City of Los Angeles for fiscal year 2011-12 is a projection that was made in January 2010. Based on past experience, the charges amount will likely change and be at a lower amount.

In addition to annual operating and capital expenditures, sewer fund rates are set so as to maintain a minimum reserve within the sewer fund. The minimum reserve amount is calculated as follows:

Minimum Reserve Fund = 70% of annual operations budget + 2 yrs of debt service + annual capital improvements budget

For fiscal year 2011-2012 the minimum required reserve fund is estimated to be \$9,918,400 and the available cash balance is projected to be \$24,213,328.

For fiscal year 2011-12 the estimated annual revenue is as follows:

Sewer User Service Charge	\$7,231,008
<u>Interest Income</u>	<u>\$ 350,000</u>

\$7,581,008

Staff recommends that the current SUSC billing formulas and charges remain the same for fiscal year 2011-12 due to the healthy cash reserve balance.

4.0 Summary of Current SUSC Rate Structure

The current SUSC Rate Structure is composed of a base charge and a commodity charge for all customer classifications.

A. Base Charge

The base charge of the SUSC are fixed costs and are comprised of two components:

Customer Costs – Calculating the sewer user service charge for the annual property tax bill and responding to property owner inquiries regarding the charges. .

Capacity Costs – Capacity costs are fixed costs associated with the cost of providing the required capacity within the sewer collection system . These costs include rents and leases.

B. Commodity Charge

The Commodity Charge is also comprised of two components:

Collection System Costs – Collection system costs are debt service and variable costs associated with the maintenance of the underground pipelines from each customer and the integrated pipeline system prior to the discharge points to the City of Los Angeles transmission system. As there are no treatment costs involved in the maintenance of the Culver City's collection system, these costs are allocated on a flow basis only.

Treatment Costs – The process and costs of providing transmission, treatment, and disposal of Culver City's customers' sewage are provided and determined by the City of Los Angeles. These costs are considered variable costs, as they vary with the flow and sewage strength as metered and determined by the City of Los Angeles. Treatment costs are recovered through commodity rates charged on the basis of each customer's adjusted actual water usage and their assumed sewage strengths. In July of every year the City of Los Angeles provides Culver City with the Amalgamated System Sewerage System charge rates for the upcoming fiscal year.

Base Charge	+	Commodity Charge		=	SUSC
		Annual Water Usage	X	Return to Sewer	
				X	Rate for the Customer

5.0 Current SUSC Rates for 2010-11

Base Charge		Commodity Charge (Per HCF Annual total flow)	
Multi-Family	\$ 42.32 per unit +	(0.85W x \$3.85)	
Single Family	\$ 42.32 +	(0.58W x \$3.85)	
Group II Users: (Commercial no food preparation)	\$ 42.32 +	(W x \$3.85)	
Group III Users: (Commercial with food preparation)	\$ 42.32 +	(W x \$7.63)	
Group IV Users: (Institutional)	\$ 42.32 +	(W x \$3.75)	
Group V Users: (Schools)	\$ 42.32 +	(W x \$3.26)	
Group VI Users: Individual Special Users			
601	\$ 42.32	+	(W x \$4.10)
602	\$ 42.32	+	(W x \$5.35)
603	\$ 42.32	+	(W x \$5.35)
604	\$ 42.32	+	(W x \$3.75)
605	\$ 42.32	+	(W x \$3.21)
606	\$ 42.32	+	(W x \$5.35)
607	\$ 42.32	+	(W x \$3.85)
609	\$ 42.32	+	(W x \$3.85)
610	\$ 42.32	+	(W x \$0.77)
W=Annual Water Consumption Unit is a resident dwelling unit.		In HCF	

Annual Water Consumption was based on calendar year 2008.

6.0 Proposed SUSC Rates for 2011-12

Base Charge	+	Commodity Charge				=	SUSC
		Annual Water Usage	X	Return to Sewer	Rate for the X Customer		

Base Charge		Commodity Charge (Per HCF Annual total flow)
Multi-Family	\$ 42.32 per unit +	(0.85W x \$3.85)
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W=Annual Water Consumption Unit is a residential dwelling unit		In HCF

On June 13, 2010, the City Council conducted a public hearing for the adoption of the 2010/11 sewer user service charges. The City Council was informed that Golden State Water Company (GSWC) stated they would no longer provide the water consumption data for each parcel. GSWC stated that they considered the water consumption data to be private and that the California State Public Utilities Commission (CPUC) had not directed them to release it. Per staff recommendation the City Council approved that the fiscal year 2009-2010 sewer user service charges be used for the fiscal year 2010-2011 sewer user service charges.

On August 23, 2010, the City Council authorized the use of the 2009 water consumption data during the preparation of next year's annual Engineer's Report for the Sewer User Service Charge (which will result in a one-time adjustment (deduction or addition) to the Sewer User Service Charge in Fiscal Year 2011/2012). Meanwhile GSWC determined that they could provide the water consumption data to Culver City if a confidentiality agreement was put in place. This agreement has been executed and the GSWC has provided the 2009 and 2010 water consumption data.

The 2011/12 sewer user service charges will be calculated using the 2010 water consumption data provided by GSWC and Los Angeles Department of Water and Power. Also the one-time adjustment (deduction or addition) from the aforementioned 2009 water consumption data will then be applied to the 2011/12 sewer user charges.

7.0 Recommendations:

In Summary, Staff makes the following recommendations:

- Continue to use Los Angeles Auditor-Controller property tax roll for SUSC billing purposes for FY 2011-2012 as it eliminates costly billing systems, additional staff, and minimizes bad debt.
- Adopt a resolution that reaffirms the existing SUSC billing formulas for fiscal year 2011-12.

Charles D. Herbertson RCE 46658
Public Works Director and City Engineer