

CHARLES D. HERBERTSON
Public Works Director/City Engineer

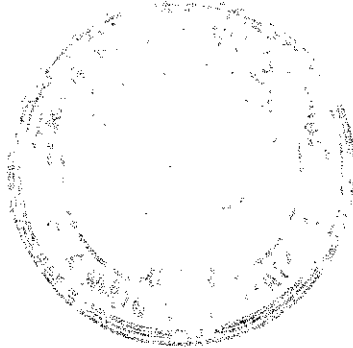
Culver CITY

PUBLIC WORKS DEPARTMENT

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**ENGINEER'S REPORT
ON THE ANNUAL LEVY**

2019-2020

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 April 17, 2019

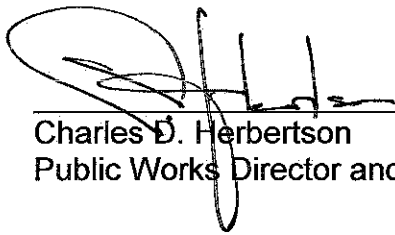
PRESENTED to the City Council
and APPROVED by Resolution
No. 2019-R____, adopted by said
City Council on April 22, 2019
and thereafter filed in the
Office of the City Clerk

City Clerk
City of Culver City

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 2019-20



Charles D. Herbertson RCE 46658
Public Works Director and 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 Discussion

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 a 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.

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.

	2015/2016 actual	2016/2017 actual	2017/2018 actual	2018/2019 estimate	2019/2020 proposed
Beginning unreserved cash balance	15,118,409	7,343,157	7,154,288	5,730,494	-145,506
Sewer User Service Charge	8,959,659	8,530,039	8,632,596	9,000,000	9,270,000
Interest Income	120,974	127,935	204,261	25,500	25,000
Sewer Facility Fee - CC Only	504,246	176,294	573,132	600,000	600,000
Misc. Revenue	509,798	222,212	408,999	335,000	335,000
Total Revenue	10,094,677	9,056,480	9,818,988	9,960,500	10,230,000
Less: Operating Costs					
Salaries and Benefits	941,417	1,281,117	1,328,238	1,643,300	1,680,400
Other Culver City Operating Costs	3,639,007	2,867,301	1,997,282	2,200,000	2,255,000
L.A. Hyperion	1,421,515	1,182,500	1,213,000	1,294,000	1,555,000
Bond Debt Service	1,596,475	1,590,431	1,591,262	1,605,200	1,605,200
Total Operating Expenditures	7,598,414	6,921,349	6,129,782	6,742,500	7,095,600
Less: Capital Projects					
Culver City (Appropriated)	8,850,000	1,141,500	3,900,000	7,800,000	1,000,000
L. A. Hyperion	1,421,515	1,182,500	1,213,000	1,294,000	1,555,000
Total Capital Projects	10,271,515	2,324,000	5,113,000	9,094,000	2,555,000
Total Expenditures	17,869,929	9,245,349	11,242,782	15,836,500	9,650,600
Operating Surplus/Deficit	-7,775,252	-188,869	-1,423,794	-5,876,000	579,400
Cash Balance- End of June (Net of appropriated City Capital Projects)	7,343,157	7,154,288	5,730,494	-145,506	433,894

3.0 Recommendation

The rates are proposed to increase 2.5% 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 2019 for Fiscal Year 2019/2020. The amount of this increase is about \$226.250.

The following table are the proposed service charge rates for Fiscal Year 2019/2020:

Customer Class Code	Base Charge	Commodity Rate
101 Single Family ¹	\$299.69 +	(0.58W x \$1.36)
102 Multi-Family ²	\$240.38 +	(0.85W x \$1.36)
200 Commercial/Business:	\$299.69 +	(W x \$3.88)
300 Commercial/Restaurants:	\$299.69 +	(W x \$7.71)
400 Institutional:	\$299.69 +	(W x \$4.10)
500 School/Public:	\$299.69 +	(W x \$3.16)
600 Special Users (Description in Engineer's Report)		
601	\$ 299.69 +	(W x \$4.44)
602	\$ 299.69 +	(W x \$5.87)
603	\$ 299.69 +	(W x \$5.88)
604	\$ 299.69 +	(W x \$4.12)
605	\$ 299.69 +	(W x \$3.50)
606	\$ 299.69 +	(W x \$5.89)
607	NOT USED	NOT USED
608	\$ 299.69 +	(W x \$4.56)
609	NOT USED	NOT USED
610	NOT USED +	NOT USED
611	NOT USED	NOT USED
612	\$ 147.10 +	(W x \$0)
613	\$ 299.69 +	(W x \$0.28)
614	\$ 299.69 +	(W x \$3.30)
615	\$ 299.69 +	(W x \$4.53)
W=Annual Water Consumption in HCF		
¹ Base charge is per parcel		
² Base charge is per dwelling unit		

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

